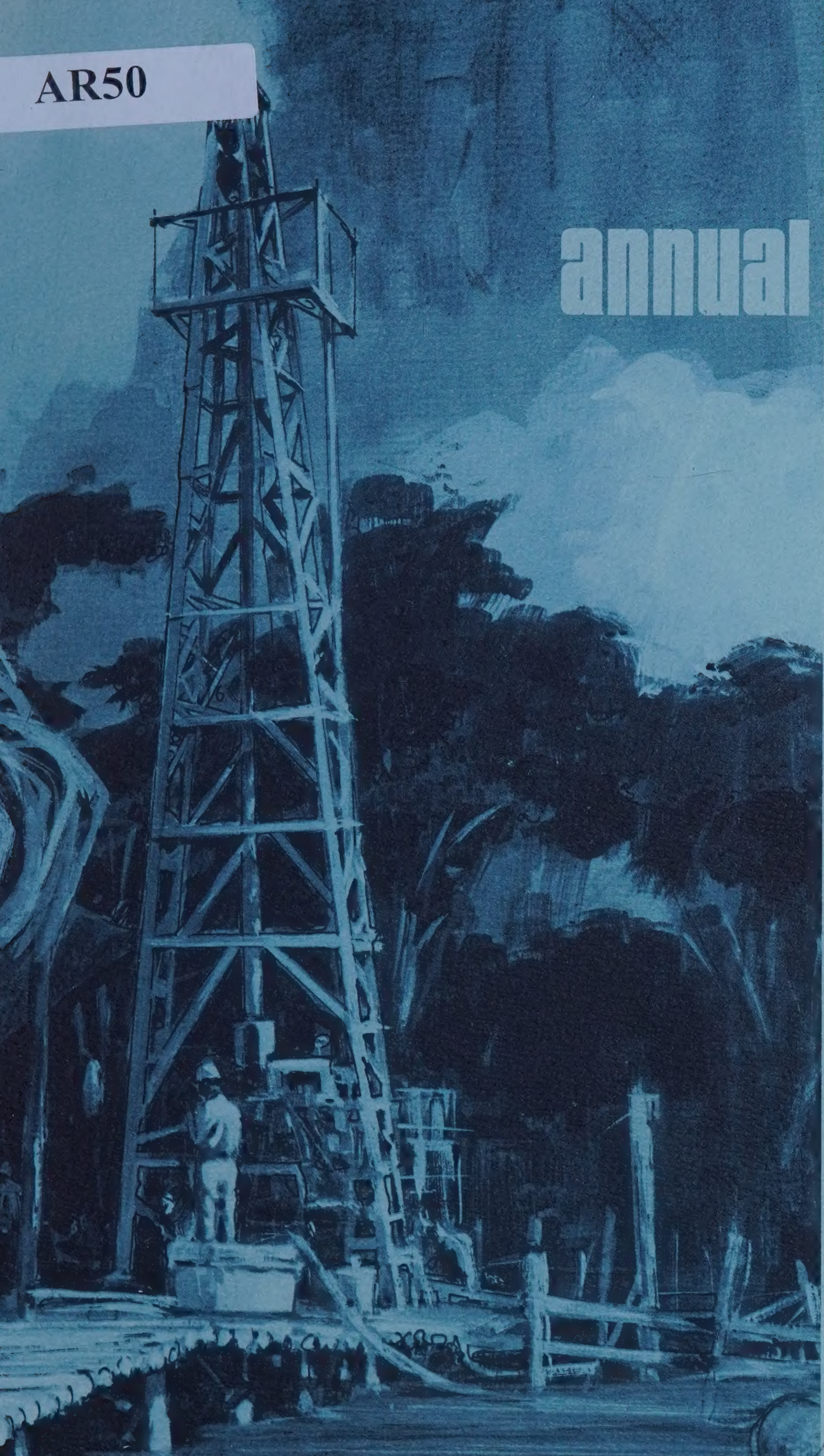

annual report 1970

BASIC RESOURCES INTERNATIONAL LIMITED

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officers

JOHN D. PARK, President
DONALD C. CAMPBELL, Vice-President, Guatemalan Operations
BRUCE B. CORDEN, Vice-President, Petroleum Division
D. DESMOND UTTERBACK, Ph.D., Vice-President, Exploration
B. BRUCE LOCKWOOD, Q.C., Secretary
W. JAMES CLARRY, C.A., Controller

directors

DONALD C. CAMPBELL — Vice-President, Basic Resources International Limited, Guatemala City, Guatemala
BRUCE B. CORDEN — President, Petrotech, Inc., St. Clair, Michigan
MELVIN J. GARDNER — Vice-President, Shearson, Hammill & Co. Incorporated, New York, N.Y.
PETER C. GOLFFING — Executive (retired), Fort Lee, New Jersey
DONALD F. KING — Investment Dealer, Grant Johnston Limited, Toronto, Ontario
B. BRUCE LOCKWOOD, Q.C. — Partner, Blake, Cassels & Graydon, Toronto, Ontario
KENNETH G. MURTON — Vice-President and Director, A. E. Ames & Co. Limited, Toronto, Ontario
BENITO NOYOLA — Lawyer, Mexico City, Mexico
JOHN D. PARK — Chairman, Resources Engineering of Canada Limited, Toronto, Ontario

transfer agents

National Trust Company, Limited, Toronto, Ontario

auditors

Arthur Andersen & Co., Toronto, Ontario

solicitors

Blake, Cassels & Graydon, Toronto, Ontario

operating subsidiaries

RECURSOS DEL NORTE LIMITADA
TRANSMETALES LIMITADA
13 Calle 7-51, Zona 9, Guatemala City, Guatemala

affiliated

PETROTECH, INC.
St. Clair, Michigan 48079

head office

931 Yonge St., Toronto, Ontario

president's message

This is the first annual report of Basic Resources International Limited since our public stock offering. Your directors are pleased to welcome the new shareholders who have joined the company recently as a result of this offering. Your company has undergone rapid expansion since its organization in 1968. The directors feel that apart from reporting on the company's current status, they should review briefly its history, for the benefit of new shareholders.

Also included in this report are financial statements for the 12 months ended June 30, 1970.

HISTORY

In 1966 a Guatemalan company, Recursos del Norte Limitada, was organized to explore the geological theory that the salt basin containing the prolific salt domes in the Gulf State Region in Mexico extended into the Peten Basin in Guatemala. Concessions were obtained from the Government of Guatemala to explore for sulphur on approximately 3½ million acres. These concessions are within 220 miles of the principal Mexican sulphur deposits and the Mexican sulphur reserve.

Recursos del Norte Limitada built approximately 500 kilometers of access roads, an airstrip, constructed a barge and tugboat for river navigation to the concessions, established a base camp for its employees and a radio communications network.

As a result of a large scale exploration program (and since this was the only such program in Guatemala at the time), the company was offered many opportunities by local geologists to participate in their discoveries. As is normal in a "grass roots" exploration program, a number of these after investigation did not appear to be economical, but three prospects (copper, nickel and petroleum) proved to have considerable value. A second Guatemalan company, Transmetales Limitada, with the same beneficial ownership, was formed to carry out exploration work on the mineral concessions.

When the potential of these properties began to reveal itself to management, Basic Resources International Limited was formed in June of 1968 and the two Guatemalan companies, Recursos del Norte Limitada and Transmetales Limitada, became its wholly-owned subsidiaries.

The total cost of exploration work carried out on these concessions to date is in excess of $6 million.

EXPLORATION

There are five separate divisions in the company, each with its own exploration program and objective.

Sulphur

The company performed gravity surveys and surface geology over approximately one million acres and detected a cluster of what our geologists interpreted to be salt domes. The most promising anomaly was also coincident with a prominent surface structure ellipsoidal in shape, approximately two miles in length and one mile in width, rising up from the surrounding terrain approximately 400 feet. This structure was named the Tortugas Dome. The company drilled three shallow holes on the flank of this dome. It was necessary to abandon each of these holes due to the strong live oil shows, since the wells were being drilled with normal mining rigs not equipped for petroleum exploration. In one hole there was a considerable showing of sulphur although non-commercial in grade.

Heavy duty vehicles used for transportation in petroleum exploration.

Your company then entered into a joint venture agreement with the Monsanto Company for further exploration and development of this property. In order to earn a 50% interest in one of the company's three sulphur concessions, Monsanto paid \$350,000 and performed an additional \$650,000 in exploration work at their sole expense. As results of this program were encouraging, Monsanto and your company spent an additional \$1.2 million on further exploration of these properties sharing the cost on a 50-50 basis. The work continued to be handicapped by the presence of strong live oil shows, to be referred to more fully in the petroleum section.

The overall results of the program were:

(a) The existence of a large salt basin and a cluster of piercement type salt domes was proven.

(b) It was discovered that the salt domes have porous limestone caprock.

(c) The caprock was found to contain sulphur in grades that would be suitable for a commercial Frasch operation.

(d) Insufficient work has been performed to reach any conclusion as to quantity or the commercial value although it is encouraging in a technical sense.

Of the approximately 30,000,000 tons of sulphur produced in the free world each year, only one-third is Frasch sulphur and this is showing a decline each year due to the steady depletion of known resources, although Frasch sulphur has historically been the lowest-cost sulphur production in the world. Therefore, it was the company's opinion that, assuming commercial quantities of sulphur could be developed, such a project would be commercially viable at prices that would be unprofitable for most of the sulphur producers in the world.

At the present time, sulphur prices are depressed. Long range projections by the British Sulphur Institute indicate a return to stability in prices in two to three years. This is approximately the lead time required to bring a new plant into production. However, in view of the current crisis, the necessity to budget our exploration efforts and the favorable development in the search for petroleum and copper, the company shifted the emphasis to these products. In the meantime, all geological information obtained in the petroleum exploration is of considerable value in the search for sulphur.

Cooks preparing tortillas at Oxec camp.

Petroleum

In the sulphur exploration program directed by Monsanto, five wells were drilled on the flank of the Tortugas Dome. These wells all had strong live oil shows; one well blew out. Fortunately, one of Monsanto's petroleum engineers was available to bring the well under control. During the process of trying to control the well, Monsanto attempted to obtain some measurement of the flow. The well was flowing 140 barrels per day through the stem, approximately 100 barrels per day around the casing and an undetermined amount was escaping through a crevice to two small streams adjacent to the well. Since this flow occurred despite all efforts of Monsanto to stop it, and since the blowout had occurred after only a few inches of penetration into the producing formation, the company's engineers projected that the well would have produced in excess

of 500 barrels per day of oil having approximately 32 gravity.

When the potential of this area for the production of oil became apparent, the company, as permitted by the Petroleum Code, financed a Guatemalan citizen in a public bidding conducted by the Government for petroleum concessions in the general area of our prior geological work. The formal papers for the award of the petroleum concession were being processed at the time of the blowout. The processing of the application continued and a formal petroleum concession covering 932,677 acres was awarded on March 10, 1970.

Monsanto, of course, had become knowledgeable as to the potential of this property through the joint venture on sulphur. On May 7, 1970, the company executed an agreement with Monsanto covering a farmout on 274,000 acres of the concession. In exchange for an equal interest with our company, Monsanto must drill five wells to test a projected shallow zone (4,000 feet), perform a seismic survey to determine the precise location of the structures, (and assuming closure) drill a well to test the projected deep zone (9,000 feet), plus whatever additional drilling is required to prove a recoverable petroleum reserve of at least 50 million barrels. The above work, now in progress, is to be performed entirely at the expense of Monsanto.

Copper

A small outcropping of chalcopyrite was discovered on the Oxec copper concession in 1967. The concession was held by a local Guatemalan group which asked your company to assist in its exploration and development program. The company drove several adits adjacent to the outcropping. Two of these (one of 50 feet and one of 80 feet) average 1.7% copper. The concession was subsequently transferred to Transmetales Limitada, your company's wholly-owned subsidiary, which agreed to carry out additional exploration and to pay the original concession holders a royalty of 4.4% of the value of the mineral at the mine shaft, before processing.

Canadian and U.S. consulting engineers were engaged to define the program for exploration. The surface geology and geochemical survey was performed by J. R. Mowat & Associates, of Ottawa. The geophysical induced polarization survey was carried out by Seigel Associates. This work detected three large mineralized zones (anomalies) and there was excellent correlation between the mineralized anomalies detected by the induced polarization survey and the geochemical anomalies which showed high copper values. Subsequent drilling in one of the zones proved the existence of a high grade copper deposit.

Drilling to prove up the copper deposit was developing ore at the rate of approximately 350,000 tons per month. When it became apparent that the company had in the order of 1.5 million tons of ore in sight, the program was discontinued – with the expectation that a medium-sized beneficiation plant would be installed. A letter of intent was entered into with Sumitomo Metal Mining Co., of Japan, in which Sumitomo undertook to purchase the concentrates of a 1,000 tons-per-day mill for a period of seven years and to pay in advance for the equivalent of one year's production – 30,000 tons of concentrate. The prepayment would be repaid to Sumitomo over a period of five years after start of production at 8½% interest. This amount was estimated by the company to be sufficient for the construction of the mine and mill. The letter of intent provided that Sumitomo could inspect the property to confirm the representations made by the company.

Sumitomo spent approximately six weeks in Guatemala during the summer of 1970 in a detailed investigation of the property. As a result of this investigation, a new letter of intent was signed with Sumitomo on September 5, 1970. In it, Sumitomo confirmed that the ore reserves were 1,330,000 tons of 2.584% copper. (This would provide an ore feed after dilution of approximately 1½ million tons.)

Sumitomo also stated that their geologists were of the opinion that they had discovered a new ore

zone approximately 1,500 feet to the northwest. The original ore zone was open at both ends and only a small percentage of the mineralized anomalies had been explored. It was the opinion of Sumitomo that considerable additional and larger ore reserves would be developed by a continued exploration program. Therefore, Sumitomo suggested that the drilling program be started again in the expectation that a larger size mill could be justified. The letter of intent with Sumitomo covers the prepayment by Sumitomo for the equivalent of a year's production of whatever size plant is shown to be justified by the renewed exploration program. Under this agreement, Sumitomo would receive 25% of the profit from the Oxec copper property after the first five years of operation.

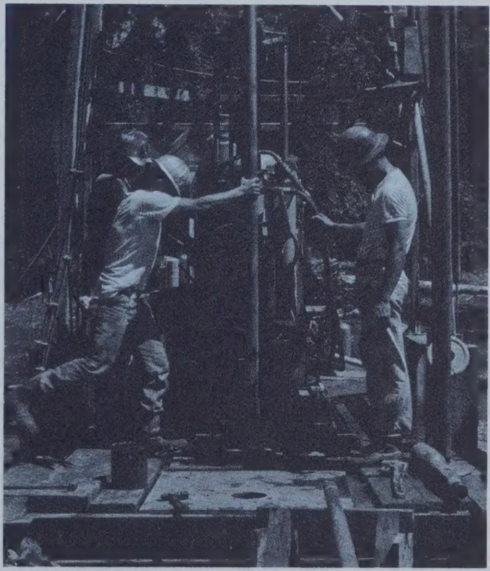
Qualified independent engineering consultants in Canada were engaged to survey our property. The capital and operating cost of a 1,000 tons-per-day benefication plant was estimated by Kilborn Engineering. The capital and operating cost of the underground mining is estimated at $2.40 a ton compared to approximately $6.00 a ton for an average Canadian mine. The beneficiation of the ore is estimated at $1.80 a ton and overhead costs at $0.85 a ton.

This copper property is considered by management to be unusually valuable because:

(a) The copper ore is in veins ranging from 20 to 100 feet in thickness and is readily amenable to flotation to produce a high grade copper concentrate with good recovery. Operating costs are low.

(b) Climatic conditions are ideal. Maximum temperature ranges are from 60° to 82°F. There is no need for large heated buildings to house the concentrator as in Canada or U.S.

(c) The mine is located approximately twenty miles from a good road and a navigable river. At a cost of less than $1 per ton of ore, the concentrate can be delivered from the mine to an Atlantic seaport, loaded on board vessel.



Exploration drilling for petroleum on the Tortugas structure.

(d) The royalties are low.

(e) The income tax laws are designed to provide incentives for the establishment of processing industries, including beneficiation of ore.

A detailed study by your company, using operating costs projected by Kilborn Engineering for the beneficiation plant, and by Ditchburn Riddell Harvey for the underground mining, has shown that a 1,000 tons-per-day plant costing less than $6 million would have the following cash flow before debt or interest payments:

Price of Copper	Annual Cash Flow
60¢ U.S.	$5,400,000
50¢ U.S.	4,200,000
38¢ U.S.	2,400,000

Nickel:

The company's nickel concession covers approximately 249 square miles. This concession lies immediately to the west of the concession of The International Nickel Company of Canada. INCO has announced a proposed investment in excess of $200 million of which over $20 million has been spent to date.

Through surface geology, the company has located a wide belt of lateritic nickel mineralization. Random portions of the belt were explored by the sinking of test pits to a depth of between 50 and 100 feet on a 200 meter grid. The initial test work developed in the order of 10 million tons of lateritic nickel ore in the small portion of the area tested and there were indications of a much greater tonnage. Nippon Mining Company (the largest mining organization in Japan) investigated our nickel property in June and July, 1970. During this investigation, continuous check samples were taken in five of the company's test pits selected at random. The assays obtained by Nippon Mining, which showed a combined value for nickel and cobalt, ranged from 20% to 30% higher than the preliminary assays of nickel obtained originally by the company.

Subsequently, Nippon Mining personnel returned to Guatemala to resample some 80 test pits. Assays on these pits may be expected within thirty to forty-five days. If this retesting confirms the initial work of Nippon Mining, a new program will be instituted immediately in the attempt to prove up in the order of 50 million tons of ore which should justify the installation of a refinery.

For the purpose of this preliminary work, we have defined as ore nickel mineralization of 1% and higher. The assays ranged from 0.7% to 2.25% nickel. Mineralization less than 1% is not included in our calculations although it would probably be used for blending in any commercial operation. The mineralization occurs in deposits which appear to be approximately one-half mile in width and two or more miles in length. Overburden varies from 5 to 30 feet and the thickness of the deposit is generally in the neighborhood of 50 feet.

Petrotech, Inc.

On September 14, 1970, your company acquired a 50% interest in Petrotech, a private company doing business principally in Michigan and Ontario. Petrotech is an oil and gas exploration company which also provides consulting petroleum engineering and geological services. Petrotech has a total of approximately 36,000 acres of oil and gas leases in Michigan of which about 27,000 acres are in the northern counties which comprise Michigan's new discovery area. It also owns a 11.68% interest in the Leonard Gas Fields and a 5% interest in the Tiger Oil Field, both in Michigan.

This company negotiated an agreement with the Union Gas Company of Canada Ltd., for a new five well wildcat drilling program which started October 1, 1970. Petrotech will maintain a one-eighth carried working interest (12½%) to production on each of the drilling prospects on a cost free basis.

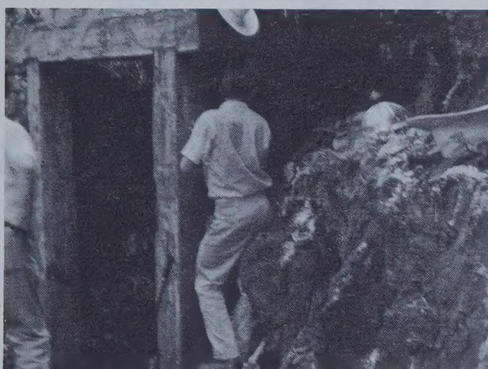
The second well in this wildcat program resulted in a discovery of a 20-foot thick gas and oil pay section at a depth of 2,116 feet. The well is still under test.

It is anticipated that additional development wells will be drilled on this same discovery structure.

POLITICAL STABILITY IN GUATEMALA

With the exception of Petrotech, Inc., the company's principal assets are located in Guatemala. This country has been little known to Canadian investors. Your management has conducted extensive surveys regarding the political stability in Guatemala and carried out interviews with the local managers of the Bank of America, the Bank of London and Montreal, and the U.S. Ambassador to Guatemala. The following summarizes our findings in this regard.

The government was installed in free democratic elections in which the three major parties participated. The country as a whole is strongly in favor



Discovery adit on Oxec copper property.

of the free enterprise system and encourages the development of its natural resources by foreign companies. There is no history of any form of expropriation.

In a recent vote in Congress the program of the Minister of Economy of encouraging foreign investors to develop natural resources, in particular the INCO development, won approval by a vote of 38-to-3.

In recent years there has been in the order of $250 million in new investment in Guatemala by sophisticated foreign investors such as Monsanto, Minnesota Mining, Texaco, General Tire and Rubber Company, Weyerhaeuser Company, Eli Lilly and Company. Corporations with substantial investments in Guatemala, such as Texaco, Shell, Monsanto, Standard of California, are accelerating their programs as a result of the favorable investment climate.

Recently, Texaco, Esso,Tenneco, Superior Oil and Mobil Oil have obtained petroleum concessions in Guatemala.

In summary, your management feels that a healthy investment climate exists in Guatemala. The economy and the currency are stable; the currency has been at par with the U.S. dollar for more than 45 years. There is a plentiful supply of labour at low cost. We found an excellent supply of well-educated and well-trained administrative and technical personnel in Guatemala. Your company has a favored position in the country because of its successful development programs and has received maximum encouragement from the authorities. Our conclusion is that the government is stable, honest and dedicated to the orderly development of its country.

CURRENT DEVELOPMENTS

Your management believes that the rapid expansion of your company's activities, experienced over the past two years, will continue. We now have the Oxec copper property ready for exploitation. The underground work on the mine started in November, 1970. Drilling has been resumed at the property and we would expect to evaluate the results and determine the size of the plant in the second quarter of 1971. The decision on the size of the plant can be deferred three to six months without interfering with the scheduled start-up date at the end of 1972.

Approximately one-third of the oil concession under contract to your company has been farmed out to Monsanto. Negotiations are currently under way regarding the farmout of the remaining oil properties to other major corporations.

On behalf of the directors I wish to express appreciation to all our employees in Guatemala for their contributions to the progress of the company. We are confident that the exploration efforts of ourselves and our U.S. and Japanese associates will soon result in successful production.

On behalf of the board,

John D. Park

November 28, 1970 — John D. Park, President

MAJOR SALT BASINS IN THE WESTERN HEMISPHERE

auditors' report

To the Shareholders of:

BASIC RESOURCES INTERNATIONAL LIMITED:

We have examined the consolidated balance sheet of Basic Resources International Limited (an Ontario corporation and formerly named Guatemala Sulphur and Resources Corporation Limited) and subsidiaries as of June 30, 1970 and the consolidated statement of source and use of funds from June 25, 1968 (date of incorporation) to June 30, 1970. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As set forth in Note 2, the Company and its subsidiaries have incurred exploration costs in the amount of $4,566,042 (including investment in and advances to Explom, Limitada) and the recovery of these costs is dependent upon the future commercial productivity of the concessions held.

In our opinion, subject to the recovery of the costs referred to in the preceding paragraph, the aforementioned financial statements present fairly the financial position of Basic Resources International Limited and its subsidiaries as of June 30, 1970 and the source and use of funds for the period then ended, in accordance with generally accepted accounting principles.

October 31, 1970
[except for subsequent events referred to in
Notes 7(d), 7(f), and 7(g)]
Toronto, Ontario

ARTHUR ANDERSEN & CO.
Chartered Accountants

BASIC RESOURCES INTERNATIONAL LIMITED
AND SUBSIDIARIES

Consolidated balance sheet as of June 30, 1970
(Stated in U.S. Dollars)

ASSETS

Current Assets:	
Cash and working funds	$ 6,591
Accounts receivable –	
Advances to employees	185
Other	4,033
Total current assets	$ 10,809
Office and Sundry Equipment, at cost	$ 48,860
Less: Accumulated depreciation	8,908
	$ 39,952
Land, at cost	$ 3,000
Investment in Azufres Verapaz Limitada, at cost (Note 2)	$ 1,000
Investment in and advances to Explom, Limitada, at cost (Note 2)	$ 58,023
Unrecovered Exploration Costs (Note 2):	
Direct company operation	$3,925,035
Joint venture contribution	582,984
	$4,508,019
	$4,620,803

Note:

Since June 30, 1970, the Company has completed a public offering of 160,711 common shares at $4.00 (Cdn.) per share and $1,743,052 (Cdn.) of shareholders' and associated companies' advances and notes payable were converted into common shares at the rate of $4.00 (Cdn.) per share. This information, more fully explained in Note 7, and the accompanying Notes to Consolidated Financial Statements are an integral part of this balance sheet.

LIABILITIES

Current Liabilities:	
Bank overdraft	$ 23,455
Notes payable –	
Shareholders	1,104,343
Other	78,181
Accounts payable and accrued liabilities –	
Shareholders	125,657
Due to joint venture	41,580
Other	564,196
Total current liabilities	$1,937,412
Deferred Liabilities:	
Shareholder's and associated companies' advances (Note 3 (a))	$ 668,338
Other advances (Note 3 (b))	295,000
Other	36,523
	$ 999,861
Deferred Credit (Note 4)	$ 575,000
Capital Stock (Note 5)	$ 433,530
Contributed Surplus (Note 4)	$ 675,000
Contingencies (Note 6)	
	$4,620,803

Approved on behalf of the Board:

JOHN D. PARK
Director

KENNETH G. MURTON
Director

Consolidated Statement of Source and Use of Funds

For the Period from June 25, 1968
(Date of Incorporation) to June 30, 1970
(Stated in U.S. Dollars)

Source of Funds:	
Sale of capital stock	$ 403,180
Bank loan	100,000
Shareholders and associated companies	1,768,517
Monsanto subsidiaries (Note 4)	1,250,000
United Fruit Company (Note 3(b)	295,000
Others	278,181
	$4,094,878
Use of Funds:	
Repayment of:	
Bank loan	$ 100,000
Advances from others	200,000
Investment in Azufres Verapaz Limitada	1,000
Advances to Explom, Limitada	19,500
Land, office and sundry equipment, net	51,860
Accounts receivable	4,218
Unrecovered exploration costs	3,735,164
	$4,111,742
Bank overdraft, net	$ 16,864

notes to consolidated financial statements

1. Basis of Consolidation and Related Information:

The accompanying consolidated financial statements include the accounts of Basic Resources International Limited ("Company") and the accounts of its subsidiary companies, including transactions prior to acquisition. All subsidiary companies are effectively wholly owned by the Company as follows:

(a) Parghi Mining Corporation Limited ("Parghi")
The Company owns all of the issued and outstanding stock of Parghi.

(b) Transmetales Limitada ("Transmetales")
The Company owns 10% and Parghi owns 90% of the capital of Transmetales.

(c) Recursos del Norte Limitada ("Recursos")
The Company owns 50% and Parghi owns 50% of the capital of Recursos.

The accounts of the Company and Parghi are maintained in U.S. dollars. The accounts of Transmetales and Recursos are maintained in Guatemalan currency (Quetzal). The Quetzal has been at par with the U.S. dollar since 1924. Excepting certain financial and administrative functions, the principal activities of the Company are carried on in the Republic of Guatemala through Transmetales and Recursos. Accordingly, the Company has adopted the practice of stating its consolidated financial statements in U.S. currency.

Comparative figures as of June 30, 1969 are not included as the Company did not prepare consolidated financial statements as of that date.

2. Unrecovered Exploration Costs:

The Company and its subsidiaries are deferring all costs, including financing, administrative, organizational and promotional expenses.

The companies are presently allocating their expenditures by concession, where applicable, although a complete allocation of expenditures incurred will not be made until the commercial productivity of each concession can be determined.

The Company and its subsidiaries are the holders or beneficial holders of the mineral concessions known as Azufres de El Petén, El Tigre, Oxec, Marichaj, and Transvaal. The concession known as Azufres de Guatemala is owned by Azufres Verapaz Limitada, which is owned jointly by the Company and a subsidiary of the Monsanto Company (further referred to in Note 4). Under a contract dated February 21, 1970, the Company and its subsidiaries obtained the rights to explore and exploit six petroleum concessions, taking all production in return for a royalty of 2%.

In addition to the foregoing concessions, the Company has an interest in other concessions through its 50% investment in and advances to Explom, Limitada.

Unrecovered exploration costs are summarized by the Company as follows:

Assay	$ 26,369
Bad debts	72,166
Camp construction and operations	320,426
Consulting services	464,509
Drilling	550,994
Exploration machinery and equipment	150,733
Financial and interest	214,042
Insurance, bonds, etc.	29,000
Legal and audit	290,977
Licenses, fees, taxes, permits	141,759
Organization expense	11,392
Promotional expense	68,656
Rentals (buildings, equipment, machinery)	97,437
Transportation and travel	375,058
Wages and salaries	944,328
Other	167,189
Direct Company operations	$3,925,035
Contributions to joint venture	582,984
TOTAL	$4,508,019

3. Deferred Liabilities:

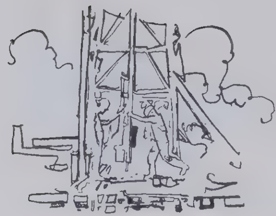
Deferred liabilities include the following items:

(a) Loans from shareholders and associated companies (all of whom were former partners in Recursos and Transmetales) include interest at 7% per annum. These loans (together with interest at 7% per annum to July 31, 1970) were converted into common shares of the Company on September 14, 1970.

(b) Other advances are repayable out of 50% of future proceeds received by the companies from certain named concessions owned, or in the process of being acquired, at December 13, 1968. These advances have no repayment dates and are not repayable if no proceeds are received from these concessions.

4. Participation by Others:

The Company has entered into two agreements with subsidiaries of the Monsanto Company ("Monsanto") which permits Monsanto to participate in the exploration activities on certain of the companies' concessions. The effect of these agreements has been or will be reflected in the Company's consolidated financial statements as follows:



(a) Under the agreement dated March 25, 1969, Monsanto agreed to and has advanced sums aggregating $1,150,000 to the Company for exploration purposes. By the terms of this agreement, 50% of such advances are not recoverable by Monsanto and accordingly $575,000 of the aforementioned advances was credited to contributed surplus, pending allocation of expenditures as referred to in Note 2. The balance of $575,000 will be recoverable by Monsanto out of the Company's initial share of profits, if any, from future operations of the concession known as Azufres de Guatemala. This concession is owned directly by Azufres Verapaz Limitada, a company owned 50% by each of the Company and Monsanto. The three companies, by contract dated September 15, 1969, agreed to develop the concession and to participate in the proceeds derived from the production and sale of minerals. By this contract, Monsanto and the Company agreed to develop the concession and share equally the costs connected therewith.

In order to effect a proper presentation of future operations, the balance of $575,000 (to be recovered by Monsanto out of the Company's share of future profits of the concession) has been recorded as a deferred credit in the accompanying consolidated balance sheet, and will be reflected in future operations, after appropriate amortization of related costs, in one of three methods summarized below:

1. If sufficient proceeds are distributed to enable Monsanto to recover the full amount of the 50% so advanced, the Company will transfer the deferred credit to income in annual amounts equal to the annual recovery of advances by Monsanto.
2. If sufficient proceeds are not distributed to enable Monsanto to recover the full amount of the 50% so advanced at the time of cessation of operations, any balance remaining as a deferred credit will be offset against unamortized costs of the operation at the time of cessation of operations.
3. If the operations of Azufres Verapaz Limitada do not provide for the distribution of any proceeds and the operation is abandoned, the deferred credit will be offset against any losses incurred by the Company on such abandonment.

Monsanto has waived recovery of any portion of the amounts so advanced under the agreement and any liability of the Company to Monsanto ceases if:

1. Minerals in commercial quantities are not discovered and the concession is abandoned, or
2. Monsanto cancels its participation in the exploration program before minerals in commercial quantities are discovered.

(b) Under the agreement dated May 7, 1970, Monsanto may earn a 50% interest in certain of the acreage covered by petroleum concessions by,
1. payment by Monsanto of $100,000 on signing (credited to contributed surplus, pending allocation of expenditures referred to in Note 2)
2. carrying out a minimum exploration program on the specified acreage at the sole expense of Monsanto; and,
3. proving a petroleum reserve of not less than 50,000,000 barrels of recoverable petroleum or hydrocarbon equivalent, at the sole expense of Monsanto.

5. Capital Stock:

The capital stock of the Company authorized, issued and optioned is summarized as follows:

(a) Authorized:
10,000,000 common shares without par value
500,000 non-cumulative redeemable preference shares with a par value of $10 (Cdn.) each, issuable in series.

(b) Issued:
Common Shares without par value

	Number of Shares	Value
From inception to June 30, 1969		
For cash	2,991,651	$403,180
For services rendered	56,000	10,350
During the fiscal year ended June 30, 1970		
For services rendered	108,000	20,000
	3,155,651	$433,530

(c) Optioned:
As of June 30, 1970, there were outstanding employee incentive stock options to senior officers of the Company to purchase 100,000 common shares as follows:
50,000 shares under an option expiring May 4, 1975 at $2.50 (Cdn.) per share
50,000 shares under an option expiring February 28, 1975 at $4.00 (Cdn.) per share
Subsequent to June 30, 1970 –
1. an option to purchase 25,000 common shares, expiring July 30, 1975, was granted to a senior officer

of the Company at a price of $4.00 (Cdn.) per share;

2. an option to purchase 25,000 common shares, expiring February 23, 1971, was granted to an Agent at the price of $4.00 (Cdn.) per share as partial consideration in connection with the public issue of the common shares of the Company referred to in Note 7 (c).

6. Contingencies:

The Company is contingently liable as follows:

(a) An oil payment of $250,000, less applicable royalties, out of 25% of the net proceeds received by the Company or its subsidiaries from the production of petroleum under the agreement referred to in Note 2. This oil payment is payable to a broker who is a shareholder of the Company, as a finder's fee under an agreement dated March 23, 1970.

(b) An oil payment of $100,000 out of the net proceeds received by the Company or its subsidiaries from the six petroleum concessions referred to in Note 2. This oil payment is payable to a director of the Company, under an agreement dated September 20, 1969.

7. Events Subsequent to June 30, 1970:

(a) On August 7, 1970, the Company was granted supplementary letters patent creating 27,000 Series A 6% non-cumulative, redeemable, convertible preference shares at a par value of $10.00 (Cdn.) each. These shares are redeemable after July 31, 1972 at a price not exceeding $10.60 (Cdn.) per share and are convertible into common shares of the Company until July 31, 1980 at $3.75 (Cdn.) per common share.

(b) On September 5, 1970, a memorandum of intent was signed between the Company and Sumitomo Metal Mining Co., Ltd. ("Sumitomo"). This memorandum has been approved by the Board of Directors of both the Company and Sumitomo and provides, under certain conditions, for Sumitomo to advance funds to finance the Oxec Concession in return for a seven year concentrate sales agreement.

(c) On September 14, 1970, the Company completed the following transactions:

1. Pursuant to an agreement dated August 14, 1970, between the Company and a registered securities dealer ("Agent"), the Company sold to the public 150,000 common shares at a price of $4.00 (Cdn.) per share.

2. Issued 435,763 common shares upon the cancellation of $1,743,052 (Cdn.) principal amount of indebtedness of the Company.

3. Issued 148,042 common shares and 27,000 Series A preference shares of the Company in exchange for 50% of the outstanding shares of Petrotech, Inc. (a private company incorporated in the State of Delaware, U.S.A. and a shareholder of the Company). The Company has also agreed with persons associated with Petrotech, Inc. to acquire, on the exercise of options held by them on common shares of Petrotech, Inc., 50% of such shares up to a maximum of 20,000 shares on the same basis of exchange as the Company's present holding in Petrotech, Inc. If fully exercised, this would require the issue by the Company of 11,690 of its common shares.

(d) On September 30, 1970, the Company purchased from the President of the Company a 6% note in the principal amount of $100,000 (Cdn.) maturing on February 13, 1972. In consideration of such purchase, the Company issued its demand note in the same principal amount and bearing interest at 6% per annum. On that date, the purchased note was lodged with the Company's bankers as collateral security for $100,000 (Cdn.) bank loan received by the Company on October 9, 1970. This bank loan was repaid in November 1970.

(e) On October 27, 1970, the Company sold to the public an additional 10,711 common shares at a price of $4.00 (Cdn.) per share pursuant to the agreement dated August 14, 1970 between the Company and its Agent.

(f) On November 2, 1970, $600,000 was received from a director of the Company in exchange for a promissory note bearing interest at 10% per annum. The promissory note is due in six months and is secured by the Company pledging to the director, the shares of Petrotech, Inc. acquired by the Company on September 14, 1970.

(g) On November 19, 1970, the Company repaid its 6% demand note due to the President of the Company in the principal amount of $100,000 (Cdn.)

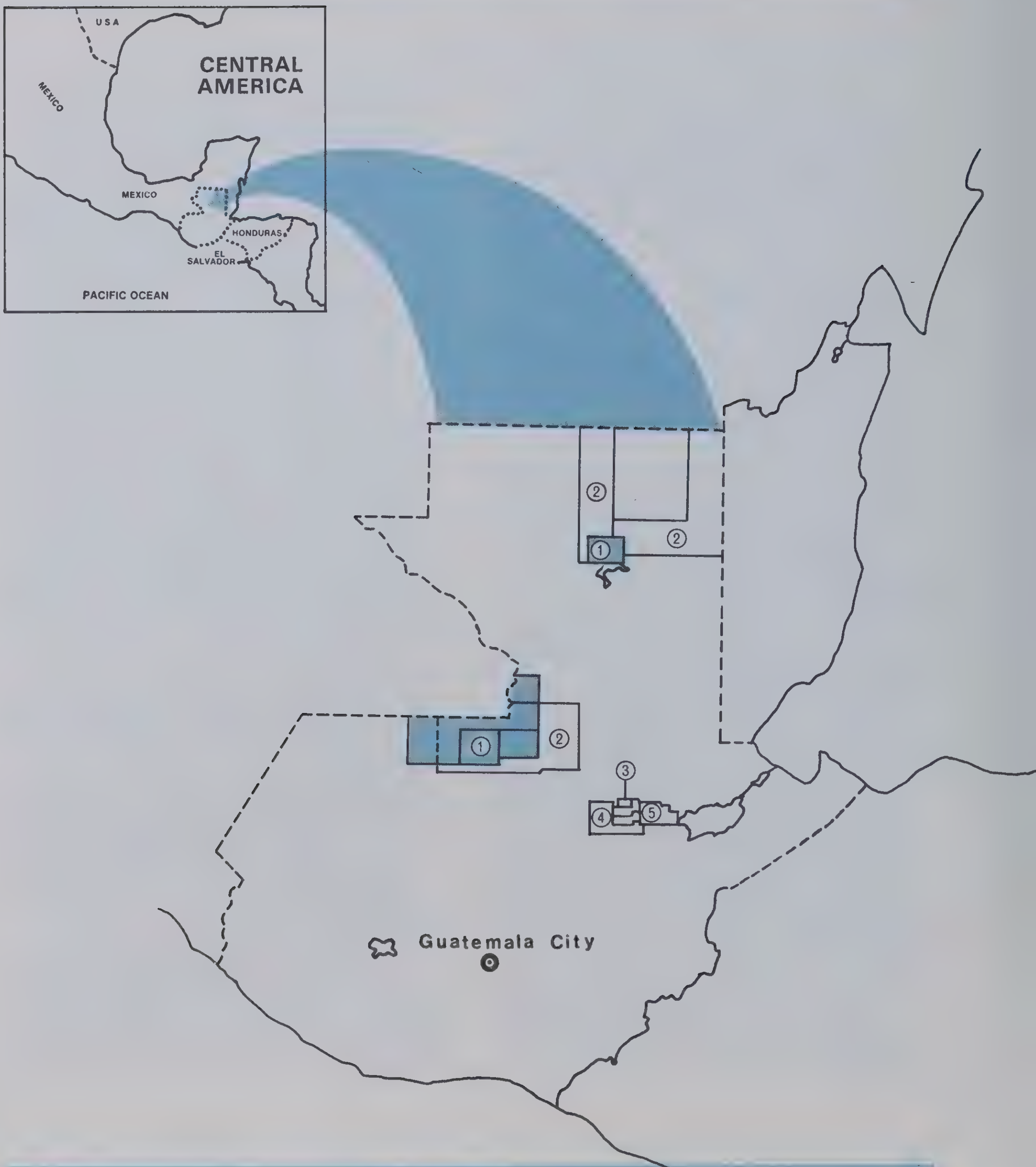
8. Directors' and Senior Officers' Remuneration:

Remuneration to directors and senior officers of the companies during the year ended June 30, 1970 amounted to $96,672.

Basic Resources International Limited

Concession Location Map

GUATEMALA



1 **Petroleum Concession - 933,000 Acres**
2 **Sulphur Concession - 2,274,000 Acres**
3 **Copper Concession (Oxec) - 19,434 Acres**
4 **Nickel Concession (Marichaj & Transvaal) - 159,000 Acres**
5 **International Nickel Co., Laterite Nickel Deposit**

BASIC RESOURCES INTERNATIONAL LIMITED / annual report 1970

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BASIC RESOURCES INTERNATIONAL LIMITED

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of BASIC RESOURCES INTERNATIONAL LIMITED (the Company) of proxies to be used at the Annual Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. The solicitation will be primarily by mail and the cost will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. **A shareholder desiring to appoint some other person to represent him at the meeting may do so** either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, sending it to the Secretary of the Company before the meeting or delivering it to the Chairman at the meeting. A person appointed as a proxy need not be a shareholder of the Company. A shareholder who has given a proxy may revoke it, as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by it, by signing a proxy bearing a later date or written notice of revocation and, in either case, sending it to the Secretary of the Company before the meeting or delivering it to the Chairman at the meeting.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such shares will be voted for the approval of the Directors' Report and Financial Statements, and for the election of Directors and the appointment of Auditors as stated under those headings in this circular.** With respect to amendments or variations to matters identified in the notice of meeting, and with respect to any other matters that may properly come before the meeting, such shares will be voted by the persons so designated in their discretion. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting.

VOTING SHARES

On November 12, 1970 the Company had outstanding 3,900,167 common shares without par value and 27,000 6% non-cumulative convertible preference shares, Series "A", with a par value of $10 each, both classes carrying the right to one vote per share.

The only persons entitled to attend and vote at the meeting or to be represented thereat by proxy will be registered holders of common shares and registered holders of preference shares at the time of the meeting.

To the knowledge of the directors and senior officers of the Company, the only persons and companies beneficially owning (directly or indirectly) more than 10% of such voting shares on November 12, 1970 are the following:

	Approximate number of voting shares beneficially owned directly or indirectly	Percentage of outstanding voting shares of the Company	
Guazufres Holdings Limited	1,053,380	26.8	
J. D. Park	912,746	23.2	(see note 1 on page 3)
William Connolly Brady	455,266	11.6	

ELECTION OF DIRECTORS

The board consists of eleven directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom, with the exception of Lic. Isidro Lemus D. and A. J. G. Leighton are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director, but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

The following table and notes thereto set out the name of each of the persons proposed to be nominated for election as a director, all other positions and offices with the Company now held by him, if any, his principal occupation or employment at present and during the past five years, the year in which he was first elected a director and the approximate number of shares of each class of the Company beneficially owned by him, directly or indirectly, as of November 12, 1970.

	Director Since	Approximate Number of Common Shares Owned
John David Park is President of the Company. He is also Chairman of Resources Engineering of Canada Limited (consulting engineers) and was President of Bridge and Tank Company of Canada Limited (a manufacturer) until 1967.	1968	912,746[1]
Donald Colin Campbell is Vice-President of the Company. Prior to joining the Company in 1966 he was a self-employed consulting engineer.	1968	59,160
Bruce Burt Corden is Vice-President of the Company. He is also President of Petrotech, Inc. (petroleum exploration company). Prior to the formation of Petrotech, Inc. in 1969 he was a self-employed consulting petroleum geologist and engineer.	1969	46,781
Melvin Joseph Gardner is Vice-President, Investment Banking of Shearson, Hammill & Co., Incorporated (investment dealers). He was an associate of Bear, Stearns & Co. (investment dealers) prior to 1966.	1970	7,984[2]
Peter Conrad Golffing was Vice-President of the Mem Company Inc. (cosmetic company) prior to his retirement in 1966.	1969	239,554[3]

	Director Since	Approximate Number of Common Shares Owned
Donald Fyfe King is an Investment Dealer with Grant Johnston Limited, (investment dealers). Prior to 1968 he was an associate of Greenshields Inc. (investment dealers).	1970	—
Alan John Gordon Leighton, P.Eng. is President of Resources Engineering of Canada Limited (consulting engineers).	—	500
Isidro Lemus D. is a lawyer. During 1966 and 1967 he was Minister of Economy, Government of Guatemala.	—	9,000
Bernard Bruce Lockwood, Q.C. is Secretary of the Company. He is also a partner of Blake, Cassels & Graydon (Barristers and Solicitors).	1968	63,759
Kenneth Gow Murton is a Vice-President and Director of A. E. Ames & Co. Limited (investment dealers) .	1969	72,302
Benito Noyola is a lawyer.	1968	18,018

[1] Mr. Park is associated with Guazufres Holdings Limited, Gairpark Enterprises Limited and Tectonic Enterprises Limited which beneficially own 1,053,380 common shares, 101,609 common shares and 62,637 common shares respectively of the Company. In addition to the above Mr. Park owns 36,294 common shares which are subject to an option.

[2] A trust created for the benefit of Mr. Gardner and his family beneficially owns approximately 32,607 common shares of the Company.

[3] In addition to common shares, Mr. Golffing beneficially owns directly 27,000 preference shares, Series A, of the Company.

[4] The above list does not include common shares beneficially owned by wives and other members of the families of directors as follows: B. B. Corden – 450 shares and K. G. Murton – 500.

[5] The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the directors and senior officers.

REMUNERATION OF MANAGEMENT AND OTHERS

The following information is furnished as to the remuneration of management and others:

(1) Aggregate direct remuneration paid by the Company and its subsidiaries to the directors and senior officers of the Company during the financial year ended June 30, 1970: $103,674.

No pension benefits are payable to senior officers or directors except under the Canada Pension Plan.

(2) Since the commencement of the last completed financial year of the Company, senior officers of the Company have been granted options to purchase common shares of the Company as follows:

Date Share Options Granted	Number of Shares	Purchase Price per Share	Date Share Options Expire
September 6, 1969	50,000	$4.00	February 28, 1975
May 4, 1970	50,000	2.50	May 4, 1975
July 30, 1970	25,000	4.00	July 30, 1975

(a) Prior to completion of the public offering of common shares on September 14, 1970, the price ranges of the common shares could not be reasonably ascertained.

(b) None of the senior officers of the Company has exercised options to purchase shares of the Company.

INTERESTS OF MANAGEMENT IN CERTAIN TRANSACTIONS

Mr. Donald F. King, a director of the Company, is a director and shareholder of Grant Johnston Limited, P.O. Box 273, Royal Trust Tower, Toronto 111, Ontario, which acts as agent for the Company in respect to the sale of 300,000 common shares offered by a prospectus of the Company dated August 27, 1970. A commission of $52,142 was paid to Grant Johnston Limited in respect to the sale of 160,711 of such shares and an option to purchase 25,000 common shares at a price of $4 per share, exercisable within 180 days after the issuance by the Ontario Securities Commission of a final receipt for that prospectus was also granted to that Company. Grant Johnston Limited is also to receive a commission equal to 5% of the sale price of the additional 139,289 shares offered by such prospectus.

Messrs. P. C. Golffing, K. G. Murton and B. B. Corden, directors of the Company are shareholders of Petrotech, Inc. and received the following shares of the Company in connection with an exchange offer by the Company for 50% of their respective holdings of shares in the capital of Petrotech, Inc. The number of shares of Petrotech, Inc. sold by each of them to the Company and the number of shares of the Company that was issued to them is as follows:

	Number of Petrotech Shares Sold	Original Cost of Petrotech Shares to Vendor	Number of Shares Issued for Petrotech Shares
P. C. Golffing	40,000 common	$ 52,500 (U.S.)	23,378 common
B. B. Corden	30,000 common	35,000 (U.S.)	17,533 common
K. G. Murton	80,000 common	70,000 (U.S.)	45,756 common
P. C. Golffing	250,000 preferred	250,000 (U.S.)	27,000 Series "A" preference

Mr. J. D. Park, a director and senior officer of the Company, is the controlling shareholder of Resources Engineering of Canada Limited, 931 Yonge Street, Toronto, Ontario, which has agreed jointly with Kilborn Engineering Ltd. to design a concentrator for the Company.

On November 2, 1970 Mr. P. C. Golffing loaned to the Company $600,000 (U.S.) and received a 10% promissory note of the Company in the principal amount of $600,000 (U.S.) maturing on May 2, 1971. As security for this loan the Company has pledged to Mr. Golffing 253,300 common shares and 250,000 preferred shares of Petrotech, Inc. The note is repayable at any time prior to maturity without notice or bonus, and it is the intent of the Company to make prepayments as cash resources become available to it, either by sale of shares or from other sources.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Arthur Andersen & Co., Chartered Accountants, Toronto, as auditors of the Company to hold office until the next annual meeting of shareholders.

DATED as of December 4, 1970.

BASIC RESOURCES INTERNATIONAL LIMITED
AND SUBSIDIARIES

consolidated balance sheet as of September 30, 1970 (unaudited)
(Stated in U.S. Dollars)

ASSETS

Current Assets:	
Cash and working funds	$ 20,252
Accounts receivable –	
Advances to employees	1,113
Other	2,090
Total current assets	$ 23,455
Office and Sundry Equipment, at cost	$ 48,925
Less: Accumulated depreciation	11,271
	$ 37,654
Land, at cost	$ 3,000
Investment in Azufres Verapaz Limitada, at cost (Note 2)	$ 1,000
Investment in and advances to Explom, Limitada, at cost (Note 2)	58,023
Investment in Petrotech, Inc. (Note 7 (c))	$ 826,319
6% Note Receivable due February 13, 1972 (Note 7 (d))	$ 97,324
Unrecovered Exploration Costs (Note 2):	
Direct company operation	$4,323,822
Joint venture contribution	582,984
	$4,906,806
	$5,953,581

LIABILITIES

Current Liabilities:	
Bank overdraft	$ 84,101
Notes payable –	
Shareholders	97,324
Other	68,448
Accounts payable and accrued liabilities –	
Shareholders	37,747
Due to joint venture	41,580
Other	503,197
Total current liabilities	$ 832,397
Deferred Liabilities:	
Advances (Note 3(b))	$ 295,000
Other	36,523
	$ 331,523
Deferred Credit (Note 4)	$ 575,000
Capital Stock (Note 5)	$3,539,661
Contributed Surplus (Note 4)	$ 675,000
Contingencies (Note 6)	
	$5,953,581

(SEE OVER)

Consolidated Statement of Source and Use of Funds

For the Period from June 25, 1968
(Date of Incorporation) to September 30, 1970 (unaudited)
(Stated in U.S. Dollars)

Source of Funds:	
Sale of capital stock	$ 987,122
Bank loan	100,000
Shareholders and associated companies	1,967,457
Monsanto subsidiaries (Note 4)	1,250,000
United Fruit Company (Note 3 (b))	295,000
Others	278,181
	$4,877,760
Use of Funds:	
Repayment of:	
Bank loan	$ 100,000
Advances from others	209,733
Shareholders and associated companies	368,221
Investment in Azufres Verapaz Limitada	1,000
Advances to Explom, Limitada	19,500
Land, office and sundry equipment, net	51,925
Accounts receivable	3,203
Unrecovered exploration costs	4,188,027
	$4,941,609
Bank overdraft, net	$ 63,849

Note:

(a) The consolidated financial statements as of September 30, 1970 reflect the events subsequent to June 30, 1970 referred to in Notes 7 (a), 7 (c) and 7 (d) of the statements as of June 30, 1970 and should be read in conjunction with the notes accompanying the consolidated financial statements as of that date.

(b) As a result of the completion of the public offering of shares on September 14, 1970, the issued capital stock of the Company as of September 30, 1970 is as follows:

	Number of Shares	Value
Common Shares:		
Issued and outstanding as of June 30, 1970	3,155,651	$ 433,530
Issued on September 14, 1970		
for cash	150,000	583,942
for conversion of debt	435,763	1,695,870
for acquisition of 50% of common shares of Petrotech, Inc.	148,042	576,319
Issued and outstanding as of September 30, 1970	3,889,456	$3,289,661
Preference Shares, Series A:		
Issued on September 14, 1970 for acquisition of 50% of preferred shares of Petrotech, Inc.	27,000	250,000
		$3,539,661

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P.O. BOX 158
TORONTO-DOMINION CENTRE
TORONTO 111, CANADA

File

BASIC RESOURCES INTERNATIONAL LIMITED

OCTOBER 9, 1970

Consolidated Statement of Source and Use of Funds

For the Period from June 25, 1968
(Date of Incorporation) to September 30, 1970 (unaudited)
(Stated in U.S. Dollars)

Source of Funds:	
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Bank loan	100,000
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P.O. BOX 158
TORONTO-DOMINION CENTRE
TORONTO 111, CANADA

File

BASIC RESOURCES INTERNATIONAL LIMITED

OCTOBER 9, 1970

P.O. BOX 158
TORONTO-DOMINION CENTRE
TORONTO 111, CANADA

MEMORANDUM

To: Financial Editors/Analysts

Fm: M.E. Bogard

Re: BASIC RESOURCES INTERNATIONAL LIMITED

We have recently been retained by Basic Resources International Limited to represent its public relations interests. Following is a brief resume outlining the activities of the company, together with some relevant background information.

Basic Resources was incorporated as a public company in June, 1968, when it took over its predecessor companies which had been engaged in resource exploration and development since 1962. It has since made some changes in its capital structure and is currently in the latter stages of completing its initial public financing.

The company is involved in the exploration and development of metallic mineral and petroleum properties, primarily in Guatemala. In addition, it now holds substantial interests in oil and gas properties located in Michigan and is engaged in exploration activities in Ontario.

In Guatemala, Basic Resources holds six large mineral concessions and six petroleum concessions totaling more than three million acres. To date, the company has spent more than $4.25 million on these properties in drilling and associated expenses. In addition, some $1.2 million has been expended by other companies through co-operative exploration activity. As a result of this work, four promising situations have been identified covering copper, petroleum, nickel and sulphur prospects. Basic Resources has a number of agreements with major international companies which relate to continued investigation of selected properties.

BACKGROUND

Basic Resources was attracted to Guatemala for several reasons:

1) Guatemalan law provides substantial incentives to foreign investors, particularly those involved in resources development.

2) Guatemala has been virtually unexplored since the era of Spanish rule.

over...2

3) Tax holidays are available for ore processing plants. (See prospectus for further details)

4) There is no requirement for minimum local ownership proportion, as is the case in Mexico.

5) Government royalties are low: 7½% on minerals, 12½% on petroleum concessions.

6) The Guatemalan currency is stable. The "quetzal" has been on a par with the U.S. dollar for approximately 45 years.

7) Concession holders can export production without either licenses or export duties.

8) Basic Resources' geologists were impressed with the potential of the concession areas.

Investment Climate in Guatemala

Political stability is unquestionably a primary consideration in evaluating the investment climate within a developing nation such as Guatemala. The Government of Guatemala is moderate and right of centre in political orientation. It was installed through democratic elections, in which three major parties participated, and has consistently encouraged the development of the country's natural resources through foreign investment.

There is no history of any form of expropriation. In recent years more than $250 million in new investment has flowed into Guatemala from sophisticated foreign investors such as Monsanto, Minnesota Mining and Manufacturing, Texaco, General Tire and Rubber. A number of corporations such as Shell Oil, Monsanto and Standard Oil of California, have in fact accelerated their investment programs in Guatemala in the light of that country's resource attractiveness and investment security.

Reflecting this trend, Moore Corporation Limited has just announced its acquisition of a Guatemala City printing company, Gabriel Martinez Garrido E Higo Compania Limitada. In a recent Congressional vote the program of the Minister of Economy to encourage foreign investment in resource development was endorsed by a margin of 38 to 3.

SULPHUR

John Park, president of Basic Resources International Limited, credits his first exposure to Guatemala as a promising resource area to William Brady who, together with his brothers, discovered the Jaltipan sulphur domes which became Pan American Sulphur, and later the Salinas Dome which became Gulf Sulphur.

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As a result of favourable indications, the company's initial exploration effort was centred on a sulphur property in the Petan Basin of Guatemala. After carrying out some exploration activity on its own, the company entered into a joint venture with the Monsanto Company, of St. Louis, Mos. Subsequent detailed investigation indicated that prospects for a commercial sulphur operation were highly encouraging. However, in the course of this work, petroleum shows were encountered and the company switched its emphasis to oil and gas exploration.

PETROLEUM

During the sulphur exploration program conducted by Monsanto five wells were drilled, each of which yielded strong live oil shows. One of these wells blew out and was estimated by Monsanto to have a flow in excess of 500 barrels of oil per day at 32 gravity.

Prompted by these indications, the company executed an agreement with Monsanto covering a farmout on 274,000 acres of the concession. In exchange for an equal interest with the company, Monsanto must drill five wells to test a projected shallow zone (4,000 ft.), perform a seismic survey to determine the precise location of the structures and, assuming closure, drill a well to test the projected deep zone (9,000 ft.), plus whatever additional drilling is required to prove a recoverable petroleum reserve of at least 50 million barrels. This work, now in progress, is being performed at the total expense of Monsanto.

DeGolyer and McNaughton, a highly respected firm of consulting geologists, prepared a most favourable report on this petroleum prospect, a summation of which can be found in the enclosed prospectus covering Basic Resources' public financing.

It is perhaps a commentary on the positive attitude of the Guatemalan Government toward foreign investors that, when during the course of Basic Resources' sulphur exploration the company gained indications of possible petroleum occurrences and then found oil shows while its application for petroleum rights was being processed; it was nevertheless awarded the petroleum rights without delay.

COPPER

The company has conducted extensive exploration on its Oxec copper discovery. Surface geology and geochemical surveys were conducted by J.R. Mowat & Associates, of Ottawa, and geophysical investigations by Seigel Associates, of Toronto. This work outlined three large mineralized zones. Subsequent drilling proved the presence of a high grade copper deposit.

over...4

In its evaluation of the property, dated June 12, 1970, DeGolyer and McNaughton stated that subsequent to the estimates as of March 15 which put drill-proven reserves at 1,076,472 tons of ore grading 2.618% copper and probable reserves at 216,708 tons (2.131% Cu), further drilling "has extended the known copper mineralization. The current core hole program indicates an additional copper reserve may be present on a geophysical anomaly just north of I.P. Zone 2 geophysical anomaly. This development offers encouragement for the discovery of additional copper-bearing bodies associated with other geophysical anomalies in the area presently covered by the geophysical surveys. (Other anomalies may be discovered in areas yet to be explored by geophysical methods.)"

An agreement was then concluded with Sumitomo Metal Mining Company, of Japan, under which Sumitomo agreed to purchase all the concentrates produced by a 1,000 tons-per-day mill for a period of seven years.

During their investigation of the property, Sumitomo geologists confirmed the presence of 1,330,000 tons of ore grading 2.584% copper. In addition, Sumitomo's geological team located what it believes to be a second ore zone nearby. Sumitomo believes that prospects are excellent for proving up additional ore.

Sumitomo has requested that present plans for a 1,000 tons-per-day concentrator be deferred in the expectation that, through further drilling, sufficient additional ore will be proven to warrant a larger operation.

In terms of cash advance, this would be approximately $5 million for a 1,000 tons-per-day operation and $25 million for a 5,000 tons-per-day operation.

A new letter of intent was signed by the parties providing for the advance payment by Sumitomo of the equivalent of one year's design capacity of the concentrator to be built. In either case, this advance should be sufficient to pay for the construction of the mine and mill and would be repaid to Sumitomo over the first five years of operation. (Further details on this agreement can be found in the prospectus)

The proposed mine is located approximately 20 miles from a navigable river. Management maintains that concentrate can be delivered from the mine to an Atlantic seaport, loaded aboard a vessel at a cost considerably less than $1 per ton of ore. Annual cash flow from a 1,000 tons-per-day operation has been estimated as follows: $5.4 million at 60¢ copper; $4.2 million at 50¢ copper; $2.4 million at 38¢ copper.

over...5

NICKEL

The company's nickel concession covers approximately 249 square miles and lies immediately to the west of The International Nickel Company of Canada's mineral concession. Inco has previously announced plans for a $200 million mine and metal treatment plant complex to exploit its lateritic nickel deposits.

Through surface geology, Basic Resources reports it has located a wide belt of lateritic nickel mineralization. Random portions of the belt were explored by the sinking of test pits to a depth of between 50 and 100 feet on a 200 meter grid. The initial test work developed in the order of 12 million tons of lateritic nickel ore in the small portion of the area tested and there were indications of a much greater tonnage.

A preliminary investigation of this property was conducted by the Nippon Mining Company in June and July of the current year. Results indicated grade and extent of laterite nickel and cobalt mineralization higher than those originally obtained by Basic.

Nippon Mining continued work in August and September, 1970, resampling some 80 test pits. If subsequent assays confirm first results, a new program will be started in an attempt to prove up a substantial tonnage of ore.

PETROTECH INC.

Basic Resources acquired a 50% interest in Petrotech Inc., a private U.S. oil and gas exploration company which also provides consulting services to the petroleum industry. Petrotech has a total of approximately 36,000 acres of oil and gas leases in Michigan, of which about 27,000 acres are in the northern counties which comprise Michigan's new discovery area. It also has an 11.68% interest in the Leonard gas field and a 5% interest in the Tiger oil field, both of which are in Michigan.

Petrotech has recently entered into an agreement with the Union Gas Company of Canada for a five-well wildcat drilling program to begin in October, 1970. Under this agreement, Petrotech will maintain a 12½% carried working interest to production on each of the drilling prospects on a cost-free basis to the company.

CAPITALIZATION

Capitalization is as follows:

Authorized:	10,000,000	common shares n.p.v.
	500,000	non-cumulative redeemable preference shares par value $10, Series A, convertible into common shares
Presently outstanding:	3,889,456	common shares
	27,000	Series A preference shares

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CORPORATE INFORMATION

Directors and Officers

JOHN DAVID PARK	President & Director
DONALD COLIN CAMPBELL	Vice-President, Guatemalan Operations & Director
BRUCE BURT CORDEN	Vice-President, Petroleum & Director (President, Petrotech, Inc. and consultant for Union Gas Co.)
MELVIN JOSEPH GARDNER	Director (Vice-President, Investment Banking, Shearson, Hammill & Co. Inc.)
PETER CONRAD GOLFFING	Director (Retired executive)
DONALD FYFE KING	Director (Managing Partner, Grant Johnston Limited, Toronto)
BERNARD BRUCE LOCKWOOD, Q.C.	Secretary & Director (Partner, Blake, Cassels & Graydon)
KENNETH GOW MURTON	Director (Vice-President and Director, A.E. Ames & Co. Limited)
BENITO NOYOLA	Director (Lawyer, Mexico City)
DONALD DESMOND UTTERBACK	Vice-President, Exploration (former Vice-President, Freeport Oil Company)
WILLIAM JAMES CLARRY, C.A.	Controller

Registrar and transfer agent is National Trust Company, Toronto, Ontario.

Auditors of the company are Arthur Andersen & Co., Toronto.

Head office of the company is at 931 Yonge Street, Toronto.

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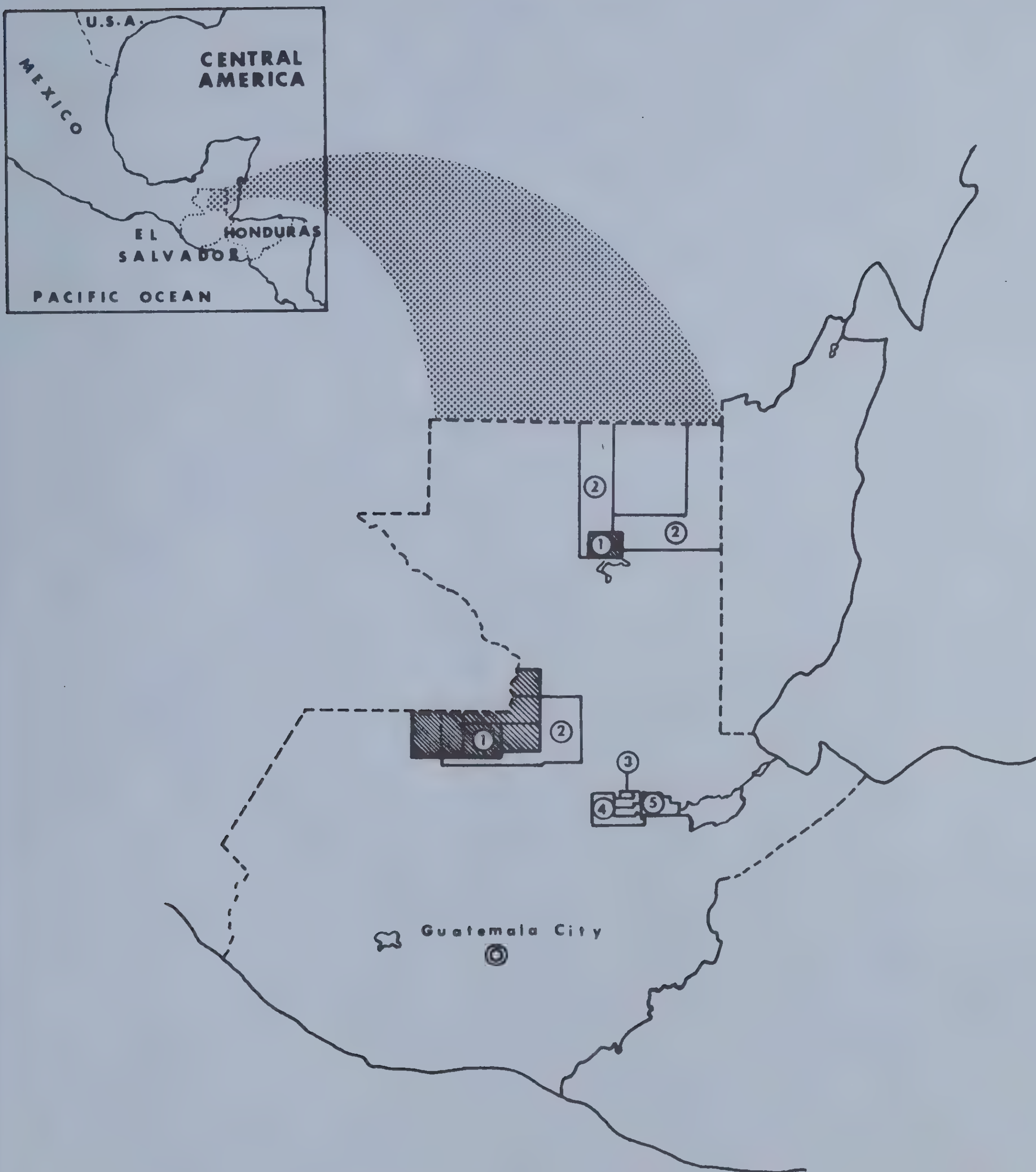
October 9, 1970.

Basic Resources International Limited

Concession Location Map

GUATEMALA



1. Petroleum Concession – 933,000 Acres
2. Sulphur Concession – 2,274,000 Acres
3. Copper Concession (Oxec) – 19,434 Acres
4. Nickel Concession (Marichàj & Transvaal) – 159,000 Acres
5. International Nickel Co., Laterite Nickel Deposit

New Issue

1970

File

Basic Resources International Limited

(Incorporated under the laws of Ontario)

AR50

300,000 Common Shares

(without par value)

There is no market for the common shares offered by this prospectus. The price was determined by negotiation between the Company and the Agent. As noted under "Current Indebtedness" on page 21, 435,763 shares of the same class as those offered hereby will be issued to satisfy $1,743,052 existing indebtedness of the Company at the rate of $4 per share, provided that subscriptions are received from the public for the first 150,000 of the 300,000 shares offered hereby. No commissions are payable by the Company in respect of the sale of those shares. The following table reflects the sale by the Company of the first 150,000 of the 300,000 common shares offered hereby.

Price: $4 per share

	Price to Public	Commissions Payable (1)	Minimum Proceeds to Company (2)
Per Share	$4	$0.33⅓	$3.66⅔
Total	$600,000	$50,000	$550,000

(1) In addition to these commissions, Grant Johnston Limited has geen granted an option to purchase up to 25,000 common shares at the above price per share, exercisable within 180 days after issuance by the Ontario Securities Commission of a final receipt for this prospectus. (See "Plan of Distribution" on page 17).

(2) Before deducting expenses of issue estimated not to exceed $35,000.

These securities are speculative. Reference is made to the heading "Speculative Nature" on page 22.

The Company, through its Agent, Grant Johnston Limited, and such other registered securities dealers as may be appointed as agents by Grant Johnston Limited, hereby offers these shares, subject to prior sale, if, as and when issued by the Company, and subject to the approval of all legal matters on behalf of the Company by Blake, Cassels & Graydon, Toronto, Ontario, and on behalf of the Agent by Fasken & Calvin, Toronto, Ontario. Such counsel will rely on the opinion of Dr. Isidro Lemus D. of Guatemala City, Guatemala, as to matters of Guatemalan law.

150,000 common shares will be offered at a price of $4 per share for a period of 90 days following the issuance by the Ontario Securities Commission of a final receipt for this prospectus. Within such period the Company must receive subscriptions for all of those common shares and on default of such receipt, subscription moneys will be returned to the subscribers. All subscription moneys will be held by National Trust Company, Limited for payment to the Company if such subscriptions are received and for return of the entire amount to the subscribers if the issue is not so subscribed.

Subject to the foregoing subscriptions being received, the Company will, through its Agent, offer an additional 150,000 shares at the market price prevailing from time to time, but not less than the above price per share. The Company will offer those shares through the Agent following receipt by the Company of the said minimum subscription. (See "Plan of Distribution" on page 17.)

Grant Johnston
LIMITED

Offices: Montreal, Toronto & Hamilton
Member: Montreal Stock Exchange • The Toronto Stock Exchange • Canadian Stock Exchange
Investment Dealers' Association of Canada

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Purchaser's Statutory Rights of Withdrawal and Rescission

Sections 63 and 64 of The Securities Act, 1966 (Ontario) and Sections 63 and 64 of The Securities Act, 1968 (Manitoba) provide, in effect, that where a security is offered to the public in the course of primary distribution:

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent; and

(b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

The Company

Basic Resources International Limited (the "Company") is a public company engaged in the exploration and development of natural resources. At present its principal activities are in Guatemala, but through its proposed acquisition of 50% of the outstanding common and preferred shares of Petrotech, Inc. as described on page 16, the Company will be participating in exploration for natural gas and oil in the northern United States and Canada. The Company's major shareholders and senior management are persons whose principal experience is in the fields of engineering, exploration, mining, petroleum and finance.

The Company was incorporated as a public company under the laws of Ontario by Letters Patent dated June 25, 1968. Its name was changed from Guatemala Sulphur and Resource Corporation Limited and certain changes were effected in its capital structure by Supplementary Letters Patent dated July 16, 1968 (increasing capital), February 7, 1969 (creating preference shares), June 13, 1969 (increasing capital), September 8, 1969 (consolidating issued and increasing authorized common shares), May 1, 1970 (subdividing common shares and changing the Company's name), and August 7, 1970 (designating the Series A Preference Shares), so that the authorized and issued capital is as set forth in the table of consolidated capitalization appearing on page 4. The Company's head office is located at 931 Yonge Street, Toronto, Ontario.

The Company operates in Central America through two subsidiaries—Recursos del Norte Limitada and Transmetales Limitada (the "subsidiaries") each of which is wholly owned. The subsidiaries are incorporated under the laws of Guatemala which require at least two shareholders and accordingly ownership is partially held through another wholly owned subsidiary, Parghi Mining Corporation Limited incorporated under the laws of the Bahamas. (See Note 1 to the financial statements of the Company and its subsidiaries). Throughout this prospectus the word "Resources" refers collectively to the Company and its subsidiaries.

Resources beneficially owns or has rights to six large mineral exploration concessions and six petroleum concessions in Guatemala covering more than 3,000,000 acres in the aggregate and is presently exploring these concessions for petroleum, sulphur, hydrogen sulphide gas (sulphur gas), copper and nickel. (See "Concessions Held" on page 7.)

Resources has entered into agreements with wholly owned subsidiaries of the Monsanto Company, St. Louis, Missouri ("Monsanto") to explore and develop certain of Resources' petroleum and sulphur concessions. Details of these agreements are given on pages 13 and 15.

Resources has carried out for its own account extensive geological surveys and a detailed exploration program for copper and nickel which has resulted in the discovery of a high grade copper deposit (averaging approximately 2.54% copper) and a deposit of lateritic nickel. Evaluation of these deposits is still under way and details of their present status are set forth later in this prospectus.

To February 28, 1970 a total of $4,887,367 has been expended on exploration of these concessions. This amount includes $4,239,087 of unrecovered exploration costs of Resources and $648,280 spent by Monsanto under its agreement with Resources. To June 30, 1970 an additional amount of approximately $350,000 has been expended by Resources on this work.

Currency

All dollar amounts in this prospectus are Canadian dollars unless followed by "U.S.", where reference is to United States dollars. The Guatemalan monetary unit is the "quetzal". The quetzal has been at par with the U.S. dollar since 1924. Except as otherwise noted, in this prospectus and the accompanying financial statements the quetzal and U.S. dollar have been converted into Canadian dollars on the basis that each Q1.00 and each $1.00 U.S. equals $1.08 Canadian. The financial statements of Petrotech, Inc. on pages 32 to 34 are stated in U.S. dollars.

Use of Proceeds

The net proceeds to be received by the Company from the sale of the minimum number of shares to be sold under this prospectus will be $550,000 less expenses of the issue estimated not to exceed $35,000. Of this amount, $269 528 will be used to retire certain outstanding obligations of the Company (See

"Current Indebtedness" on page 21) and the balance will be added to working capital to be used in connection with the exploration programmes referred to in this prospectus. Any additional amounts raised by the sale of shares hereunder will be similarly added to working capital. Pending such application, proceeds will be held in the form of short term deposit receipts ussued by a Canadian chartered bank.

Consolidated Capitalization

Description of Securities	Authorized	Outstanding February 28, 1970	Outstanding July 31, 1970	Outstanding after giving effect to minimum financing
Shareholders' debt:				
Notes Payable (1)		$759,000	$1,323,604(7)	nil
Advances (2)		$707,838	$ 688,976(7)	nil
Share Capital: (3)				
Non-cumulative redeemable preference shares par value $10	500,000 shares ($5,000,000)	nil	nil	
Series A, convertible into common shares (4)				27,000 shares ($270,000)
Common Shares without par value (as subdivided) (5) (6)	10,000,000 shares	3,012,928 shares ($442,455)	3,155,651 shares ($471,000)	3,889,456 shares ($3,406,220)

NOTES:

(1) Upon the successful completion of the sale of 150,000 of the shares offered by this prospectus, 263,519 common shares of the Company will be issued in satisfaction of $1,054,076 of this indebtedness. (See "Current Indebtedness" on page 21 and Note 7 (B) to the financial statements on page 30). The balance of this indebtedness will be repaid from proceeds of this issue.

(2) Upon the successful completion of the sale of 150,000 of the shares offered by this prospectus, 172,244 common shares of the Company will be issued in total satisfaction of this indebtedness. (See "Current Indebtedness" on page 21).

(3) In addition the Company had contributed surplus of $621,000 as at February 28, 1970. (See Note 4 to the consolidated financial statements on page 29).

(4) By supplementary letters patent dated August 7, 1970, 27,000 of the preference shares with a par value of $10 each were designated as non-cumulative redeemable convertible preference shares, series A. These shares have been reserved for issue to Mr. Peter C. Golffing in exchange for 250,000 (50%) of the outstanding preferred shares of Petrotech, Inc. (See "Petrotech, Inc." on page 16.)

(5) Reference is made to "Options to Purchase Securities" on page 22 regarding 125,000 shares reserved for issuance as stock option incentives for senior employees and 11,690 shares reserved for options in connection with the acquisition of common shares of Petrotech, Inc. and to "Plan of Distribution" on page 17 regarding 25,000 shares under option to Grant Johnston Limited.

(6) By supplementary letters patent dated May 1, 1970, the common shares of the Company were sub-divided on a 2-for-1 basis.

(7) To determine shareholders' debt outstanding at July 31, 1970, U.S. dollars have been converted into Canadian dollars on the basis that each $1.00 U.S. equals $1.0275 Canadian.

Republic of Guatemala

Economic and Political Background

Guatemala is located in Central America immediately south of Mexico and enjoys a semi-tropical climate. Most of the population lives in areas where the elevation varies from 4,000 to 6,000 feet and temperatures are mild, generally ranging from 70-80°F in the daytime to 65-70°F at night. The economy is mainly agricultural, and between 50% and 60% of the population lives outside the cities and major towns. Since the banking system is concentrated in these cities and major towns, this segment of the population does not fully participate in the money economy.

Historically, the Gross National Product of Guatemala shows one of the highest rates of growth in Latin America, averaging an increase of 5% per annum since 1950. Due to population expansion, growth on a per capita basis approximates 1.5% annually. Recently the rate of increase in the Gross National Product appears to be declining.

On its international trade account, imports of goods to Guatemala since 1957 have exceeded exports in every year except 1966. The country's deficits in its services account are caused principally by payments for foreign cargo and passenger transportation, insurance payments, expatriation of funds by foreign firms by way of dividends and other payments, and foreign expenditures by Guatemalan tourists. Due to the

agrarian nature of its economy, agricultural products consisting mainly of coffee, cotton and sugar account for nearly 90% (by value) of all exports. Coffee alone accounts for nearly 50%. Prices for products of this nature are subject to wide fluctuations. Guatemala belongs to the International Coffee Association and must abide by the export quotas set by it. Accordingly the country is encouraging the growth of its natural resource industries to improve its balance of trade.

Guatemala has been a member of the Central American Common Market (CACM) since 1961. The CACM, which is strongly supported by the United States, is essentially a tariff union with free trade among its members for domestically produced items. While the existence of the CACM has on occasion been threatened by political disputes among its members, in the opinion of the Company its prospects appear favourable due to the strong body of favourable public opinion. Guatemala's increase in trade has been due in part to its membership in the CACM.

Guatemala has occasionally experienced difficulty maintaining a proper balance of payments and as a result has made standby arrangements with the International Monetary Fund from time to time. Foreign exchange laws of general application have been in force since 1962; however, special laws have been enacted in respect of the mining and petroleum industries. It is the opinion of the Company that its operations will be governed by these special laws.

The development of natural resources is one of the prime objectives of the Government of Guatemala. In 1966 the Minister of Economy of Guatemala visited Italy, Holland, Germany, England and Canada seeking companies willing to participate in the development of Guatemalan natural resources. The Company's interests in Guatemala were obtained as a result of this effort. In addition, the government has enacted the special income tax provisions referred to on page 6, and the Mining and Petroleum Codes of Guatemala both make the special provisions for foreign exchange described below.

The Petroleum Code of Guatemala allows the holders of petroleum concessions to maintain abroad all funds generated by foreign sales of domestically produced petroleum. Such holders are also allowed to acquire without restriction any foreign currency reasonably required in respect of their domestic petroleum operations and are allowed to convert to any foreign currency and transfer abroad any funds on hand in excess of amounts required to sustain such operations.

The Mining Code permits the Monetary Board to authorize the Bank of Guatemala to enter into contracts with a mining enterprise relating to the use of foreign exchange arising from foreign capital invested in a domestic mining enterprise. Such contracts may also guarantee rates of exchange and cover import permits and the use and maintenance abroad of foreign exchange generated by domestic mining operations to the extent that such funds are not required to maintain such operations. It is the opinion of the Company that its mineral operations will create an important source of foreign exchange and that its prospects for obtaining such a contract are favourable.

Both the Petroleum and Mining Codes exempt from import duties all materials and equipment not manufactured in Guatemala or in the CACM which are essential for exploration and development of mining or petroleum concessions.

Statistics on foreign investment in Guatemala are incomplete but available information indicates that there is more foreign investment in Guatemala than in any other Central American country. The total private investment from American sources was estimated at $250 million in 1966. Capital from Japan, Canada, West Germany, Switzerland, Venezuela, Mexico and some ten other countries has also been invested in Guatemala. Much of the recent capital has come from experienced investors such as Monsanto Company, Minnesota Mining & Manufacturing Company, Humble Oil & Refining Company, Texaco Incorporated, General Tire & Rubber Company, Standard Oil of California, Weyerhaeuser Company, Eli Lilly & Company and Philip Morris, Incorporated. The Company understands that the Guatemalan mining investment of The International Nickel Company of Canada Limited is $20,000,000. International Nickel's most recent Annual Report states that in excess of $200,000,000 will be expended in respect of its program in Guatemala.

Guatemala is a republic, with a popularly elected Congress and President. In the event that no presidential candidate wins a majority of the popular votes, his election is decided by the Congress. The Constitution of Guatemala supports an economic philosophy of free enterprise and prohibits expropriation without compensation. There are 22 political subdivisions (Departments) within the Republic, each of which has a governor appointed by the President. These subdivisions have no taxing power as the national government is responsible for fiscal policy and foreign investment.

Guatemala enjoys the distinction of being the only country in the world that has managed to throw off what was considered to be a communist government and resume the democratic process. The Communist Party has been outlawed since 1954. In 1967 there was intermittent guerrilla activity, believed to have been sponsored by Cuba. The government took stringent measures against guerrillas and today it is believed that activists number less than 200, divided into various small groups. Guerrillas do not enjoy popular support and do not influence national policy.

In 1963 the military seized power by coup and stabilized the country. Popular elections were held in 1966 and a "middle of the road" president was elected. New elections for President and Congress were held on March 1, 1970 with all three major political parties participating in the election. Don Carlos Arana Osorio, a conservative running on a platform of law and order and greater incentives to industry, was elected President and appears to have popular support.

Taxes

The normal corporate rate of taxation is graduated, with approximately $185,000 (U.S.) being paid in taxes on taxable income of $500,000 (U.S.), an average rate of 37%. Except as noted below, all taxable income above $500,000 (U.S.) bears tax at a rate of 48%. In order to encourage the decentralization of industry, the Income Tax Law provides an incentive to industry to establish outside of the Department of Guatemala. This incentive is in the form of a 20% reduction in the amount of income taxes otherwise payable. This has the effect of establishing the tax rate for income over $500,000 (U.S.), for companies established outside the Department of Guatemala, at 38.4%. All of the Company's concessions are outside the Department of Guatemala, which contains the Republic's capital, Guatemala City.

In addition to the above tax incentives, Guatemala has had an Industrial Development Law since 1962, which provided tax incentives to new industries. A new law, adopted in 1969, provides uniform incentives throughout the Central American Common Market. Among the incentives offered under this law is the granting of an eight year tax holiday to new industries, including new industries established for the processing of minerals.

The Company has received the opinion of its Guatemalan counsel that its operations will qualify for all of these tax incentives.

Wages and Labour Supply

It has been the Company's experience that, except for supervisory personnel who are brought from the U.S. and Canada, all skilled and unskilled positions, including geologists, engineers and mechanics, can be filled locally. Labourers are industrious and easily trained. The present minimum daily wage in Guatemala is equivalent to $0.70 (U.S.). Well trained, semi-skilled personnel are available at $1.50 (U.S.) per day. For many years the Hoover family interests operated a mine located approximately 50 miles from the Company's copper property. This mine has exhausted its known ore and its mining and flotation technicians are expected to be available to the Company.

Mining and Petroleum Concessions

Under the Mining and Petroleum Codes of Guatemala two types of exclusive mineral or hydrocarbon concession are granted, namely an exploration concession, giving the holder the exclusive right to explore for minerals or oil and natural gas in a named area, and an exploitation concession, giving the holder the exclusive right to extract minerals or oil and natural gas from a named area.

Under the Mining Code an exploration concession is granted for an original term of up to three years. If the holder has complied with the requirements of the Mining Code, the exploration concession may prior to its expiry be renewed for up to 50% of its original area for an additional period or periods up to a total, including the original term, of five years. An exploration concession, if in good standing, may be converted into an exploitation concession or concessions on payment of a fee amounting to approximately $0.20 (U.S.) for each acre so converted. Exploitation concessions are valid for a period of 40 years and are renewable for a further period of 20 years prior to expiry of the original term. Royalties payable to the Government of Guatemala in respect of minerals extracted amount to 7%, based on the value of the ore at the mine shaft collar. This value is arrived at by deducting from sales revenues all above-ground costs in respect of handling and processing, including all sales, smelting, treatment, beneficiation and transportation charges, and by deducting depreciation on all equipment located above-ground calculated on an 8% per annum straight-line basis. Of the 7% royalty, 1% is remitted by the Federal Government to

the municipality in lieu of all local taxes and 1% is paid to the landowner in lieu of all claims by him for compensation.

Under the Petroleum Code an exploration concession is granted for an original term of 6 years. If the holder has complied with the requirements of the Petroleum Code, the exploration concession may, prior to its expiry, be renewed with regard to all of its original area for two further periods of 2 years each. An exploration concession, if in good standing, may be converted in respect of up to 50% of its original area into an exploitation concession upon application to the Government at the time the holder is prepared to drill the first well, or automatically assumes the quality of an exploitation concession when petroleum in commercial quantities is discovered as a result of exploration. In the latter instance the concession holder has up to 5 years to decide which portion of the exploration concession it wishes to keep. Exploitation concessions are valid for a period of 40 years, and are renewable for a further period of 20 years following expiry of the original term. Royalties payable under the Petroleum Code in Guatemala (including to the municipality and the landowner) in respect of hydrocarbons amount to 12½%, based on value at the well-head.

Concessions Held

Resources presently owns directly or indirectly the following exploration concessions issued by the Ministry of Economy of Guatemala. See the Concession Location Map on pages 18 and 19.

Concession	Locality by Department	Original Date of Grant	Approximate Present Area of Concession in Sq. Miles	Minerals
Azufres de Guatemala (Note 1)	El Quiche Alta Verapaz El Peten	Sept. 17, 1966	1620 (1,037,017 acres)	Sulphur and hydrogen sulphide gases
Azufres de El Peten	El Peten	Nov. 18, 1966 (Note 2)	1173 (750,579 acres)	Sulphur and hydrogen sulphide gases
El Tigre	El Peten	Jan. 16, 1967	762 (487, 798 acres)	Sulphur and hydrogen sulphide gases
Oxec (Note 3)	Alta Verapaz	Aug. 26, 1966	30 (19,484 acres)	Copper, iron, nickel, cobalt, zinc, lead, gold, quartzite and silver
Marichaj (Note 3)	Alta Verapaz	Nov. 10, 1966 (Note 2)	49 (31, 631 acres)	Nickel, cobalt, copper, iron, zinc, lead, silver and gold
Transvaal (Note 3)	Alta Verapaz	Dec. 15, 1969	200 (127, 743 acres)	Nickel, copper, cobalt, zinc, lead, gold and silver
6 Petroleum Concessions #30, 53, 57, 62, 63, 64 (Note 4)	El Peten Alta Verapaz El Quiche	March 10, 1970	1457 (932,677 acres)	Petroleum and natural gas

NOTE 1. The concession "Azufres de Guatemala" has been transferred to a Guatemalan company owned jointly by Monsanto and Resources. (See "Sulphur Exploration" on page 14).

2. Formal resolutions renewing these concessions are pending.

3. Resources has agreed with Nicol, Anleu y Rodriquez, Sociedad de Responsabilidad Limitada, the original holder of these concessions, to pay a royalty of 4.4%, computed on the same basis as the royalty payable to the Government of Guatemala.

4. Resources has entered into a contract with Mr. Rudi Weissenberg Martinez, a Guatemalan citizen, who was the successful bidder for six petroleum exploration concessions, most of which overlie the sulphur concessions. Under the contract Resources has the right to explore and exploit these concessions, taking all production in return for a royalty of 2%, computed on the same basis as the royalty payable to the Government of Guatemala. Resources has entered into an exploration agreement with Monsanto covering a portion of Blocks Nos. 57, 63 and 64. (See "Petroleum Exploration" on page 10).

Resources has obtained all of the required approvals from the appropriate ministries of the Government of Guatemala acknowledging satisfactory compliance with all obligations to perform work or make expenditures required to date to maintain the concessions in good standing, and does not anticipate any difficulty in continuing to meet these obligations. In addition, Resources has carried out sufficient geological and exploration programmes to determine the most favourable areas for exploration and subsequent exploitation on each of its concessions and is of the opinion that upon renewal of these concessions or the conversion of them into exploitation concessions, no highly favourable areas will be released. Under existing arrangements with Monsanto, the annual expenditures required to be made by Resources to maintain its exploration concessions in good standing do not exceed the sum of $200,000 (U.S.) in the aggregate.

Consultant's Reports

DeGolyer and MacNaughton, Consulting Geologists, 5625 Daniels Avenue, Dallas, Texas, were retained to prepare an evaluation of the petroleum, sulphur and copper prospects contained in the concessions held by Resources in Guatemala. Their reports, made in March, 1970, have been submitted to Resources and signed copies have been filed with each of the Securities Commissions requiring such filing in the provinces of Canada in which the shares offered by this prospectus are to be sold. The copies are available for inspection at the offices of those Securities Commissions.

Data used in those reports were obtained from Resources' offices in Guatemala City, in the field, from government offices in Guatemala, from records maintained by the Monsanto Company and from reports of other consultants.

Trips to Guatemala were made by a representative of DeGolyer and MacNaughton in May, 1969, and March, 1970. During these two trips inspections were made of files and maps in Resources' offices and core from core holes at the Las Tortugas Dome were examined on both occasions. Core samples and other pertinent data concerning the Oxec copper property were examined on the latter trip only.

Copper

Exploration

Resources has discovered a deposit of high grade copper on the Oxec concession. An outcropping of chalcopyrite was discovered on the Oxec concession in 1967 during a preliminary reconnaissance survey. In 1967 two adits were driven into the hillside for distances of 50 and 72 feet respectively and yielded an average grade of approximately 1.7% copper over their entire length. As a result of this preliminary survey Seigel Associates (International) Limited, Consulting Geophysicists, of Toronto were engaged to conduct an induced polarization survey. The investigation by Seigel Associates revealed three large anomalies. A geochemical survey showed that two of these zones had closely associated geochemical anomalies in areas of favourable geology. These initial results were sufficient encouragement to warrant further exploration.

Inspiration Limited was engaged to do 5,000 feet of drilling on the site of the geochemical and geophysical anomalies. In the first half of 1969 this drilling revealed high grade copper mineralization. The extent of this mineralization could not be determined within the initial drilling program. From August 15, 1969 to December 15, 1969, a new drilling programme proved the existence of two zones of high grade copper mineralization and indicated a third zone. This drilling showed excellent correlation with the 6 millisecond chargeability contour from the Seigel induced polarization survey.

As of December 15, 1969, the drilling had shown 638,000 tons of drill indicated reserves, with an average grade of 2.71% copper. On January 15, 1970 drilling was resumed to develop additional ore reserves.

In a report dated April 27, 1970 DeGolyer and MacNaughton reported on their investigation of the reserves of copper ore developed in the I.P. Zone 2 area to March 15, 1970.

As a result of their investigation, DeGolyer and MacNaughton reported that as of March 15, 1970 Resources had developed 1,076,475 tons of drill indicated reserves averaging 2.62% copper and 216,078 tons of drill indicated probable reserves averaging 2.13% copper. No dilution factor has been applied to these calculations. They also reported that drilling subsequent to March 15, 1970 and not included in their tonnage calculations indicated that an additional copper reserve may be present in the geophysical anomaly just north of the IP Zone 2 geophysical anomaly. DeGolyer and MacNaughton also reported that the prospects were good for the discovery of additional copper bearing bodies associated with the geophysical anomalies already detected.

The DeGolyer and MacNaughton report does not include additional areas on the concession where measurable quantities of copper mineralization have been discovered, nor the results of drilling after March 15, 1970.

A Turam Survey conducted by Seigel Associates of Toronto in late 1969 has detected two new Turam anomalies of 1,000 feet and 1,450 feet both extending past the present grid borders and as yet unexplored.

Subsequent drilling has shown that drill hole no. 58 located approximately 350 feet north of areas covered by the DeGolyer and MacNaughton ore calculations is an extension of the main ore zone. The assayed results of this hole were 2.7% copper over a distance of 24 feet. No drilling has been performed north of this hole to date to define the maximum length of the strike.

The reserves reported by DeGolyer and MacNaughton occur in three shoots, the largest of which now has a strike length of approximately 1,500 feet and is open in both directions. The deposit varies in width from 20 to 100 feet and the top of the vein extends to within 50 to 100 feet of the surface.

Metallurgical tests performed by Lakefield Research Laboratory show that the ore is readily amenable to flotation and 26% to 27% copper can be produced with 94% recovery.

One of the Company's mining consultants, Mr. D. R. Wilson, has reported that he anticipates the Company's mining costs to be less than those of a similar operation in Canada, assuming that underground development does not encounter anything of an unusual nature not detected in his examination of pertinent drill cores. In the opinion of the Company's engineers there are now sufficient reserves to warrant underground development. On June 22, 1970, the Company engaged a joint venture comprising Kilborn Engineering Limited and Resources Engineering of Canada Limited, both of Toronto, to commence the preliminary design of a 1,000 ton per day mine plant and concentrator. The construction of the concentrator will commence when, in the opinion of independent consultants, sufficient proven ore reserves have been developed to warrant such construction.

The Oxec copper property is approximately fifteen air miles from the Rio Polochic. This river has regular commercial barge traffic to the Atlantic seaport of Puerto Barrios, a distance of 90 miles. The property is also seven miles from the town of Cahabon which is served by an all-weather road. The Government of Guatemala is now constructing a road from Cahabon which was within three miles of the property on May 31, 1970.

Sumitomo Metal Mining Co., Ltd.

On June 20, 1970 the Company exchanged a letter of intent with Sumitomo Metal Mining Co., Ltd., ("Sumitomo") relating to a programme for the development of the Oxec copper concession, subject to approval of the Japanese government and execution of a formal contract.

Under this arrangement:

(a) The Oxec concession will be transferred to a new company to be wholly owned by Resources;

(b) Over 7 years, Resources will sell to Sumitomo Oxec's total production amounting to not less than 200,000 tons of concentrates containing 26% copper;

(c) Sumitomo will make advance payments to the new company for the purchase of concentrates of

up to \$5,000,000 (U.S.) and such payment will be used to finance all capital cost of the Oxec mine and of a 1,000 tons per day concentrating mill and to provide reasonable working capital;

(d) Sumitomo's advance payments will be applied against the supply to them, over 5 years, of approximately 30,000 tons of concentrate;

(e) All concentrates sold to Sumitomo will be sold at prevailing world prices, subject to a minimum of 38¢ (U.S.) per pound until the Sumitomo advance payments are satisfied by deliveries and, with respect to the 30,000 tons referred to in paragraph (d), subject to a maximum of 50¢ (U.S.) per pound;

(f) The price for the 30,000 tons of concentrate delivered under paragraph (d) will be discounted at an annual rate of 8.5% from the scheduled time of delivery to the date the relative funds are deposited to the account of the new company;

(g) As security for its advance payments, Sumitomo will be granted first charges on all assets of the new company, including the Oxec concession;

(h) After Oxec has been in production for 5 years, Sumitomo will be entitled to a 25% interest in all future profits; and

(i) Until Sumitomo's advance payments are satisfied by concentrate deliveries, the new company may not pay dividends which would reduce its working capital below \$2,500,000 (U.S.).

At any time before August 31, 1970, Sumitomo may terminate the above arrangements, if Sumitomo reasonably determines that:

(i) The capital cost of the Oxec project would exceed \$5,500,000 (U.S.); or

(ii) Based on a copper price of 50¢ (U.S.) per pound, the drill indicated ore reserves at Oxec are insufficient to repay the capital cost of the Oxec project plus interest at 8.5% per year.

Export-Import Bank

The Company has also arranged, as alternate financing, a preliminary commitment from the Export-Import Bank of the United States for a direct loan of the lesser of \$1,147,080 or 40% of the cost of any United states goods and services to be supplied in constructing a mill on the Oxec copper property. This preliminary commitment provides that the Export-Import Bank will guarantee other borrowings by the Company up to an amount equal to that of the direct loan. The guarantee fee is one half of 1% per annum computed on the amount of such other borrowings outstanding. Interest on the loan would be 6% per annum, and the loan would be repaid in ten equal semi-annual instalments the first of which would mature within six months after the estimated completion date of the mill. The obligation of the Company to repay its indebtedness to the Export-Import Bank must be unconditionally guaranteed by a guarantor satisfactory to such Bank. Such a guarantee is normally provided by a local institution, but the Company has not yet attempted to obtain the guarantee from any institution in Guatemala. The Company is obliged to pay 10% of the cost of such United States goods and services and the principal exporter of such goods and services is required to finance the mill by loan to the same extent. A final commitment requires approval by the United States National Advisory Council on International Monetary and Financial Policies.

Petroleum Exploration

Resources entered into a contract dated April 1, 1968, subsequently replaced by a contract dated February 21, 1970, with Mr. Rudi Weissenberg Martinez, who was the successful public bidder for six petroleum grants (concessions), which for the most part overlie Resources' sulphur concessions. This contract gave to Resources the right to explore and exploit the six concessions, obtaining all production therefrom, in return for a royalty of 2%. Resources furnished the proofs of technical and economic capacity required by the Guatemalan Government and the concessions were formally issued on March 10, 1970.

The area covered by these petroleum concessions is approximately 933,000 acres and was selected on the basis of technical information obtained from Resources' exploration for sulphur.

DeGolyer and MacNaughton Report

In their report dated March 21, 1970, De Golyer and MacNaughton indicated that five of Resources' six petroleum concessions, Nos. 53, 57, 62, 63 and 64, appear to be attractive for further investigation by drilling of the "discovered oil" and for continuing investigation of existing surface geologic structures and of structures indicated by gravity anomalies. They noted that the presence of surface structures in Resources' sixth petroleum concession, No. 30, along with the presence of porous intervals and live oil shows in exploratory wells drilled for oil in the area, make this concession worthy of further investigation.

In referring to the above five petroleum concessions, DeGolyer and MacNaughton noted that the recently conducted core-drilling program at Las Tortugas Dome has shown this surface expression to be a salt intrusion with dipping and porous oil-bearing zones, some capable of flow, in the flanking beds and caprock and that oil has been tested, and porous intervals are present in the two exploratory wells drilled by others for oil in the concession. Drilling at Las Tortugas Dome, surface geologic work and gravity interpretation, indicate that other salt-influenced structures are present in the area covered by these petroleum concessions. The presence of large surface structures in the concessions shows, even if salt movements were small or nonexistent, the magnitude of tectonic movement was sufficient to fulfill the requirement for hydrocarbon trapping. The origin of the salt is thought to be the Todos Santos formation.

The Las Tortugas structure may be similar to the salt-influenced structures of the Isthmus Saline Basin or Isthmus-Tabasco Saline Basin of Mexico where local highs are also located on salt ridges.

The surface geologic work and gravity interpretation show other surface-subsurface geologic structures to be present which are most probably genetically related to the surface structures. The Cretaceous sedimentary section is estimated by DeGolyer and MacNaughton to have a thickness of some 9,000 feet.

The 17 core holes at Las Tortugas Dome give adequate subsurface control of approximately 700 acres. On the western end of the dome, a salt spring emits hydrogen sulphide gas; and the surface expression of a fault is indicated by the drainage pattern. Three small, fresh water lakes are in the top of the dome.

Designated Oil Shows

Eight of the core holes that helped define the salt intrusion and flanks of the Las Tortugas Dome have encountered oil and have special significance. Of the remaining nine core holes, eight penetrated salt after drilling only Tertiary breccia; and one core hole reached salt after penetrating a section above the salt which may be part of the Cobán formation or possibly a poorly developed caprock. A total of 13 core holes encountered salt and have defined the areal extent of the salt mass. These core holes found salt at depths ranging from 196 to 2,932 feet. Two core holes penetrated caprock and two core holes penetrated zones tentatively identified as caprock at depths ranging from 1,639.5 to 2,508 feet. The cores from the eight core holes that penetrated the flanking Cobán formation have found apparent dips of this formation to range from 5 to 70 degrees. These apparent dips, as a general rule, decrease steadily with depth. Measured-hole deviations in one core hole drilled on the southwest flank are 20 degrees at 880 feet and 40 degrees at total depth of 3,002 feet; and another core hole drilled on the east flank are 5 degrees at 1,000 feet, 20 degrees at 2,000 feet, and 22 degrees at 2,200 feet. It is felt that the remaining core holes, at least on the flanks, are deviated, thus making the apparent dips from the cores less than the true dips. If this is true, the Las Tortugas Dome salt mass is flanked by a steeply dipping Cobán formation. Seven core holes encountered sulphur.

As the DeGolyer and MacNaughton Report indicates, eight core holes have encountered oil. These are located on the northern, eastern, western, and southwestern flanks of the Las Tortugas Dome. Oil-bearing zones are found in the porous-to-tight zones in the Cobán formation and in the caprock. Four of these core holes have indications of oil at the surface. Core holes on the northern and northwestern flanks, Las Tortugas 9B, 13, and 14 have produced oil from porous zones tentatively identified as caprock after encountering oil shows in porous and tight intervals in the Cobán formation. From a rough correlation, it appears that Las Tortugas-14, which is approximately 100 meters north of and downdip from Las Tortugas-9B, produced oil from the same zone which flowed in Las Tortugas-9B. The depths of these when the flows occurred were 2,298 feet in Las Tortugas-9B, 2,310 feet in Las Tortugas-13, and 2,508 feet in Las Tortugas-14. Las Tortugas-9B was mechanically abandoned at this depth, Las

Tortugas-14 was deepened one foot before it was mechanically abandoned, and Las Tortugas-13 was cored ahead into the salt and reached total depth at 2,342 feet. Another core hole, Las Tortugas-1, had indications of oil on the pits, probably from a fractured anhydrite of the Cobán formation. The measured gravity of this oil is 18.5 degrees API at 60 degrees Fahrenheit. The cores indicate the top of the oil is 1,474 feet, and the oil is black and asphaltic below 1,485 feet. Las Tortugas-9B had a measured surface pressure of 200 pounds per square inch on the drill pipe when the flowing zone was encountered and before it began to flow through and around the casing. The surface pressure, after attempts had been made to kill the flow, was 100 pounds per square inch on the drill pipe and 70 pounds per square inch on the casing. The oil flow, after attempts had been made to kill it, was estimated to be 140 barrels of oil per day with a low gas-oil ratio. The flow was stopped using drilling mud weighing 12 pounds per gallon. The measured gravity of the oil was 28.32 degrees API at 20 degrees Centigrade (or 68 degrees Fahrenheit). Las Tortugas-14 headed a small quantity of oil and before killing the flow the measured surface pressures were 130 pounds per square inch on the drill pipe and 70 pounds per square inch on the casing. The measured-oil gravity is 32.41 degrees API at 60 degrees Fahrenheit. Las Tortugas-13 had 200 to 300 gallons of oil on the pits. After abandonment, oil began to bleed to the surface and the core hole was recemented.

The percentages of sulphur in the crude oils analyzed range from 1.90 in Las Tortugas-14 to 2.67 in Las Tortugas-1. In the four core holes that had oil shows but had no indications of oil at the surface, Las Tortugas-2, Las Tortugas-16B, and Las Tortugas-17 had oil in the cores taken in the porous-to-tight carbonates and evaporites of the Cobán formation. Only Las Tortugas-17 reached caprock at a depth of 1,639.5 feet, and this interval was oil stained. The depth of the salt in this core hole was 1,641 feet. Core analyses, from a carbonate-evaporite interval in the Cobán formation with oil stains 1,708 to 1,711 feet in Las Tortugas-16B, have porosities ranging from 2.1 to 28.5 percent; permeabilities from 0.1 to 71.0 millidarcys; and oil saturations ranging from 2.8 to 26.8 percent. The fourth core hole with oil shows, Las Tortugas-3, had asphaltic oil present in a fractured Cobán-formation anhydrite.

Core drilling at Las Tortugas Dome has shown that oil will flow with measurable pressures from porous intervals flanking the Las Tortugas Dome salt mass. These dipping porous intervals are probably effectively sealed updip by the salt. Because of subsurface conditions and surface equipment, the measurements of the oil flow are not considered to be indicative of the production potential of the zones encountered. The attempts to kill the wells undoubtedly caused formation damage, and the ability of these zones to maintain sustained production is not known. An examination of the surface pressures present at four core holes in March 1970 showed that the flow had effectively been stopped by plugging operations.

Previous Exploration Drillings by Others

San Román No. 1, another exploratory well drilled for oil in the petroleum concessions, tested hydrogen sulphide and oil on open-hole drill-stem tests in an anhydrite dolomite sequence of the Cretaceous Cobán formation. This well was drilled in a small seismic closure some two miles long and one mile wide with an apparent vertical closure of over 650 feet. From an open-hole drill-stem test of the interval 7,930 to 7,977 feet, 840 feet of highly gas-cut oil and 600 feet of highly gas-cut oil with some mud were recovered after the tool was kept open for one hour. Gas did not surface, and there was no indication of water in the fluid recovered. The gravity of the oil was reported to be 16 degrees API. The second open-hole test, from 8,920 to 8,950 feet, flowed hydrogen sulphide gas at an initial rate of 72,300 cubic feet per day, which decreased to 5,870 cubic feet per day after 51 minutes. A total of 630 feet of gas-cut black oil with a gravity of 16 degrees API was recovered, and no water was noted. The cores from San Román have some dolomites with good porosity, and the micrrelated log shows good separation in some dolomites. The micrometer log indicates over 1,500 feet of porous interval were penetrated in this well, and two porous zones have individual thicknesses of over 200 feet.

The other exploration well in this part of the Guatemalan Petén Basin, Chinajá No. 1, was drilled three kilometers east of petroleum concession 64. It is located near the top of the Chinajá surface structure which was checked by spot seismic work prior to drilling. This well penetrated a monotonous section of Cretaceous Cobán-formation anhydrite and dolomite. Four open-hole drill-stem tests were conducted, and three yielded satisfactory results. The interval from 10,005 to 10,036 feet tested sour gas to the

surface in 13 minutes and had an initial gas-flow rate of 173,000 cubic feet per day that decreased to 44,600 cubic feet per day after one hour. The fluid recovery was 60 feet of clean, sour crude oil having a gravity of 36.5 degrees API and 240 feet of highly gas-cut oil and a black sulphur residue. No water was recovered. From the interval 10,041 to 10,113 feet, 30 feet of mud slightly cut with sour crude oil was recovered; and no water was apparent in the fluid recovered. A total of 2,825 feet of slightly salty sulphur water heavily cut with sulphur gas was recovered from the interval 10,498 to 10,540 feet. During this test, the tool partially plugged with lost-circulation material. The drill pipe in Chinajá No. 1 parted because of the chemical action of hydrogen sulphide and sulphur water. At a depth of 10,607 feet in Chinajá No. 1, the rig crew was given instructions on the hazards of hydrogen sulphide gas and caustic soda and on the use of gas masks. The cores from Chinajá No. 1 have some porosity in the dolomite intervals but exhibit less over-all porosity than the cores from San Román No. 1. It has been interpreted by DeGolyer and MacNaughton that Chinajá No. 1 was drilled on the roll-over into a fault or near the fault plane itself. It is considered by them that this is probably true since the section is monotonous, indicating the bore hole was nearly parallel to the bedding planes and the fractures in the cores are nearly vertical. DeGolyer and MacNaughton have noted that if this is the case, Chinajá No. 1 penetrated only a portion of the prospective section even though the total depth was 10,806 feet.

The Company's sixth petroleum concession is located just north of the crest of the La Libertad Arch and exploratory well San Francisco No. 1-A and approximately 11 kilometers west of exploratory well Petén Itzà No. 1. Several northeast-southwest and east-west-trending anticlinal structures have been mapped in the concession. DeGolyer and MacNaughton stated that from surface geologic information and from exploratory wells drilled for oil in the area, this concession is worthy of further investigation. Oil exploration work has been concentrated adjacent to and south of the La Libertad Arch and from information available, the sedimentary sequence should be a thick, predominately carbonate-evaporite sequence in which porous intervals may occur. The sedimentary section in this concession should be similar to that encountered in Petén Itzà No. 1, which is essentially on depositional strike with it. Aeromagnetics have been interpreted by DeGolyer and MacNaughton to show en echelon down-to-the-north faults north of the La Libertad Arch. The presence of salt-influenced structures has not been determined, but some salt should be present in the evaporite part of the sedimentary sequence.

The Report notes that the results of the exploratory drilling for oil have shown the presence of live oil, hydrogen sulphide gas, sulphur, and porous intervals along the La Libertad Arch. Two exploratory wells located on structures immediately north of the La Libertad Arch, Laguna Blanca No. 1 and Petén Itzà No. 1, encountered live and dead oil shows and porous intervals. One exploratory well, San Francisco No. 1-A flowed from separate intervals, hydrogen sulphide gas, salt water with a reported 5% oil, and water. Asphalt, heavy oil, and dead oil shows were noted in the samples and pinpoint porosity was noted in some of the dolomites. Two shallow Uaxactun core holes, drilled to the northeast, failed to confirm the presence of a salt structure indicated by gravity work.

Monsanto Oil Agreement

On May 7, 1970, Monsanto and Resources entered into an agreement (the "Monsanto Oil Agreement") whereby Monsanto is entitled to earn a 50% interest in a specified 274,000 acres out of Resources' 933,000 acres under petroleum concession. Under that agreement Monsanto paid to Resources the sum of $100,000 (U.S.) and agreed to drill 5 wells to test the 4,000 foot zone (a minimum of 20,000 feet of drilling). The first of these wells was commenced on May 30, 1970. The agreement also provides that by December 31, 1971 Monsanto will conduct a seismic or other geophysical program at a minimum cost of $250,000 (U.S.) to determine whether closure exists in the major structures. If closure is found to exist, Monsanto must drill a well to test the 9,000 foot zone. Thereafter, Monsanto may elect to either continue or discontinue its exploration work, but Monsanto will not become entitled to any interest in the specified acreage of Resources' petroleum concessions until it has proved a petroleum reserve of not less than 50,000,000 barrels of recoverable petroleum or the hydrocarbon equivalent.

All work performed by Monsanto is to be done at its sole cost and expense, and all work up to determining the existence of a petroleum reserve of the above size must be done at a rate not less than $100,000 (U.S.) per quarter. After 50,000,000 barrels of reserves are proven, all future development costs

will be shared equally between Monsanto and Resources. Under an agreement dated March 23, 1970, Resources' portion of any oil production subject to the Monsanto Oil Agreement is also subject to an oil payment of $250,000 (U.S.) payable as a finder's fee to Leonard L. Limes, New Orleans, Louisiana.

The area covered by the petroleum rights lies 100 to 150 miles from the Atlantic seaport of Puerto Barrios, Guatemala. The intervening terrain is generally flat and suitable for pipeline construction, which for the most part could be above ground. An exploitation concession confers the right to the concession holder to obtain rights of way for the construction of gathering systems and pipelines.

Markets

Guatemala currently requires 15,000 barrels per day of petroleum which is mostly imported in the form of crude oil. Guatemalan customs regulations would give domestic production preference over imported foreign crude oil in supplying this market. Texaco owns a refinery on the Pacific Coast of Guatemala, and Standard Oil of California and Shell jointly own a refinery on the Atlantic Coast of Guatemala, both of which now operate on imported crude oil.

In addition to the Guatemalan domestic consumption, the balance of the Central American Common Market (CACM) countries currently consume 35,000 barrels per day for a total of 50,000 barrels per day in the CACM. There is no crude oil production now in the CACM, and this fact, coupled with the CACM's preference for production of sister countries, makes the CACM the second most likely market for crude oil production from Guatemala. Any additional crude oil over the requirements of Guatemala and other countries of the CACM would have to be sold in world markets in competition with crude oil produced in Venezuela, Africa and the Middle East. The cost of pipeline transport of Guatemalan crude oil from the concessions to the closest seaport would be low relative to most other inland producing areas in the world.

Sulphur Exploration

Resources has carried out detailed exploration programmes for sulphur and sulphur gases in the Peten Basin of Guatemala. Although these programmes were directed primarily to sulphur and sulphur gas exploration, a large amount of geological, geophysical and stratographic information has been obtained which will substantially reduce the time and cost of petroleum exploration programmes now under way. Favourable geological areas were mapped by gravity meter and gravity contour maps were prepared. Camps were established at strategic locations and two-way radio communication was established between the camps and Guatemala City. Approximately 80 kilometers of access roads and 500 kilometers of access trails were constructed. A barge and a special self-propelled, twin-engine, shallow draft tug boat were constructed to provide economical transportation by water to the exploration site. An hydraulic drill rig capable of drilling to 1,500 feet depth was purchased and swamp buggies were obtained for rapid transportation over the site.

Three sulphur exploration concessions are held by Resources in Guatemala; the Azufres de Guatemala Concession located in the Western part of the Guatemalan Peten Basin and the Azufres de El Peten and El Tigre concessions which are contiguous over an area in the Northeastern part of the Guatemalan Peten Basin.

DeGolyer and MacNaughton Report

An evaluation of these concessions by DeGolyer and MacNaughton indicates that the following factors have combined to make the western area of the Azufres de Guatemala concession attractive for the exploration of sulphur:

1. at least one salt-influenced structure;
2. the sulphur encountered in seven core holes drilled on and adjacent to that structure;
3. the presence of oil on that structure;
4. the presence of what appears to be a limestone caprock in four of those core holes;
5. a spring emitting hydrogen sulphide gas;
6. the test of hydrogen sulphide gas in two test wells drilled on this concession; and
7. the shallow depth of the sulphur occurrence.

The presence of a known salt-influenced structure, porous intervals and hydrogen sulphide gas makes the area also attractive for the exploration of hydrogen sulphide gas.

In most of the area covered by the Azufres de El Peten and El Tigre sulphur exploration concessions, surface and subsurface information is lacking. From the information available, the area has surface structures and a thick, predominantly carbonate and evaporite sedimentary sequence in which porous intervals may occur.

The presence of oil at Las Tortugas Dome indicates that one basic requirement for the formation of commercial quantities of sulphur has been met. The information available indicates that the Las Tortugas structure may be similar to the salt-influenced structures of the Isthmus Saline Basin or Isthmus-Tabasco Saline Basin of Mexico. It is in this region of Mexico that large deposits of sulphur have been found and are being produced.

The 17 core holes at Las Tortugas Dome give adequate subsurface control over approximately 700 acres. On the western edge of the dome, a salt spring emits hydrogen sulphide gas. Seven of the core holes on the Las Tortugas Dome have encountered sulphur and are of special significance. A total of 13 core holes encountered salt and have defined the areal extent of the salt mass. These core holes found salt at depths ranging from 196 to 2,932 feet. Two core holes penetrated caprock and two core holes penetrated zones tentatively identified as caprock. Eight core holes enountered oil. The depths of the sulphur occurrences range from 833 to 2,790 feet in the core holes drilled at the Las Tortugas Dome.

The sulphur is generally present as vug and fracture fillings. Two of the 7 core holes encountering sulphur had suitable percentages of sulphur and also had indications of oil. These two core holes are located on the Northern and Northwestern flanks of the dome. The sulphur in the Northern flank core hole is in the interval 1,036.5 to 1,037.1 feet. The crystalline sulphur in this hole is in the dolomites, limestones and anhydrites above the caprock and was visually estimated to be in the range of 15 to 25 percent of the rock volume. The core hole on the Northwestern flank encountered sulphur in the intervals 2,296 to 2,298 feet and 2,304 to 2,306 feet in the oil stained limestone caprock. The crystalline sulphur was visually estimated to be 7 to 10 percent of the rock volume. This core hole also had sulphur shows in limestones and some dolomites of the overlying formation.

Monsanto Sulphur Agreement

Pursuant to an agreement dated March 25, 1969, between the Company and Monsanto, Monsanto agreed to provide funds for exploration work in the amount of $1,150,000 (U.S.) on the concession "Azufres de Guatemala". Of this amount $350,000 (U.S.) had been spent prior to the signing of the agreement, $500,000 (U.S.) has been paid to the Company for use of the Company's facilities and the balance of $300,000 (U.S.) was spent by August 31, 1969. Additional exploration expenditures are being shared equally by the Company and Monsanto. A further exploration programme was authorized in August, 1969 and approximately $1,150,000 (U.S.) has been expended to date under this further programme. Monsanto is the Operator of the joint venture and will retain a 50% interest in the concession as long as it bears 50% of the costs of exploration and development.

Marketing

Normal access to the Tortugas Dome for personnel is by airplane or helicopter, requiring approximately 1 hour's flight from Guatemala City. For heavy supplies, Tortugas is reached by travelling approximately 135 miles by road and 125 miles by river barge from the seaport of Puerto Barrios on the Atlantic coast of Guatemala. The Company operates a barge with a capacity of 35 tons on this river. It is the opinion of the Company's engineers that in the event of a major discovery of sulphur, a new direct road approximately 125 miles in length should be constructed to Puerto Barrios. Government surveys are currently underway for such a road passing within 10 miles of the Tortugas Dome. This survey is part of the Government's program for opening this part of the country to industrial development.

No export permits are required and no export taxes or fees are payable on sulphur exported from Guatemala. Resources' sulphur concessions, particularly the concession Azufres de Guatemala, have ample quantities of fresh water and oil or gas for fuel available at the site for sulphur mining by the Frasch process which is the least expensive method of sulphur production.

The Company estimates that, if sulphur in commercial quantities is confirmed by exploration, it could be mined and transported to an Atlantic port for a cost equivalent to the transportation cost alone of by-product sulphur from Alberta to Vancouver. Consequently any sulphur produced should be competitive in world markets.

Nickel Exploration

Resources' exploration for nickel on the Marichaj concession consists of detailed surface geology and sampling of the lateritic nickel deposits. Reconnaissance surveys and random test pits are being used to determine the likely areas of mineralization. After the discovery of suitable areas, test pits were dug on a grid pattern to obtain an indication of the extent and quality of the nickel mineralization. These test pits were 4 foot x 4 foot vertical shafts to a depth of between 50 and 100 feet, where the material became too difficult for hand work. The shafts were sampled by both bulk sampling during excavation, and later as a check, by continuous channel samples taken on two opposite sides of the shaft. In general the nickel values have continued to increase at depth and the analyses at the bottom of many of the holes show 1.5 to 1.8% nickel. Recently, selected sample pits were deepened and nickel mineralization as high as 2.18% was obtained. The area of mineralization covered by one of the deposits investigated is approximately 2,500 feet by 10,000 feet. Overburden varies from 5 to 30 feet. The thickness of the deposit generally is in excess of 50 feet; however many of the test pits are insufficient in depth to penetrate through the mineralized sections. From the increasing values encountered in these test pits at depth and from the experience of others in laterite deposits of this nature, the Company believes that the potential exists for the development of a commercial size lateritic nickel deposit averaging 1.5% or better. Less than 10% of the area of the concessions determined to be geologically favourable for lateritic nickel deposits have been investigated to date. No attempt will be made to calculate tonnages until the extent and thickness of the deposit is determined.

In the opinion of the Company, a deposit of approximately 50 million tons would be required to warrant commercial production.

The area investigated to date lies immediately south of the Oxec copper discovery and is bounded on the east by concessions owned by a subsidiary of The International Nickel Company of Canada Limited. International Nickel has announced that it expects that in excess of $200,000,000 will be expended in development of this project, and the Company understands that it has spent approximately $20 million to date.

Any access road from the copper property to the Rio Polochic would cross the Company's Marichaj concession. This area is within 10 miles of water and road transportation. Ore could be transported this distance either by large trucks on a mining road or by conveyor or pipeline to a processing plant which could be constructed on the Rio Polochic.

A plant to process lateritic nickel ores requires a large capital investment. It is the intention of the Company to seek partners with adequate financial resources and operating experience to carry out the remaining exploration programme on this concession.

Petrotech, Inc.

Petrotech, Inc. ("Petrotech") is a private company incorporated in the State of Delaware on November 6, 1969 and licensed to do business in the State of Michigan and in the Province of Ontario. The authorized capital consists of 500,000 preferred shares (all of which are issued and outstanding) and 1,000,000 common shares of which 506,600 are outstanding.

Under agreements dated as of June 30, 1970, the Company agreed to acquire 253,300 (50%) of the presently outstanding common shares of Petrotech in exchange for 148,042 of the Company's common shares and 250,000 (50%) of the outstanding preferred shares of Petrotech in exchange for 27,000 of the Company's non-cumulative convertible preference shares, Series A with a par value of $10 each. This series is convertible, at the par value thereof, into common shares of the Company at the price of $3.75 per share. Completion of these share exchanges is subject to a successful offering of the Company's common shares. In addition, the Company has agreed to acquire, on the exercise of certain options held by persons associated with Petrotech, a further 20,000 common shares of Petrotech (or a portion thereof) on the same basis as stated above.

Petrotech currently owns 84,286 common shares of the Company and $200,000 (U.S.) principal amount of notes which are to be converted into 51,375 common shares of the Company on the same basis as the notes held by others (See "Current Indebtedness" on page 21).

Financial statements of Petrotech appear on pages 31 to 34 of this prospectus.

Activities

Petrotech is primarily an oil and gas exploration company operating in the mid-west United States and Southern Canada and provides consulting petroleum engineering and geological services. Its main operating areas are in the State of Michigan and the Province of Ontario. Exploration operations are directed to the discovery and development of Niagaran Reefs in these areas. These reefs are unique in that they not only offer great potential for oil and gas reserves and production but are actively sought by major utilities for utilization as gas storage facilities. For this reason, there is an immediate market for sale of these fields to gas utilities on a total gas inplace purchase method.

Two directors of Petrotech (Messrs. B. B. Corden and W. L. Harvey) are the managing-operators of three limited partnerships namely, St. Clair Exploration Company, Reef Exploration and Development Company and Petroleum Investment Associates. Each is capitalized at $250,000 and the remaining funds in these partnerships available for exploration is approximately $450,000. These partnerships assist Petrotech's exploration operations by participating in oil and gas drilling ventures for which Petrotech is the operator. By this method, Petrotech earns working interests varying from ⅛ to ¼ at little or no cost.

A significant part of Petrotech's operations is the consulting petroleum geology-engineering services performed for oil and gas operators and gas utility companies within the industry. Petrotech is currently under contract to Union Gas Company of Canada to supply engineering assistance and recommendations in the conversion of the Bickford Gas Field to an operating gas storage facility.

Properties

From November 1969 to date Petrotech has acquired a total of 35,965 acres of oil and gas leases in Michigan. Of these, 26,972 acres are situated in the northern counties comprising Michigan's new discovery area. It is in this area that five significant Niagaran Reef discoveries have been made, four since November 1969. Approximately 9,000 acres are held in the Eaton-Barry County area in the South Central portion of Michigan.

Petrotech holds, after deduction of all royalties, an 11.68% working interest in the Leonard Gas Field, Oakland County, Michigan. A purchase contract for gas from this field has just been completed with Michigan Consolidated Gas Company.

Petrotech owns a 5% net interest in the Tiger Oil Field, Section 5, Columbus Township, St. Clair County, Michigan. To date this field consists of eight gas-oil wells spaced on 20 and 40 acre tracts prorated at 50 and 100 BOPD respectively. An oil pipeline connection into the field has just been completed.

Plan of Distribution

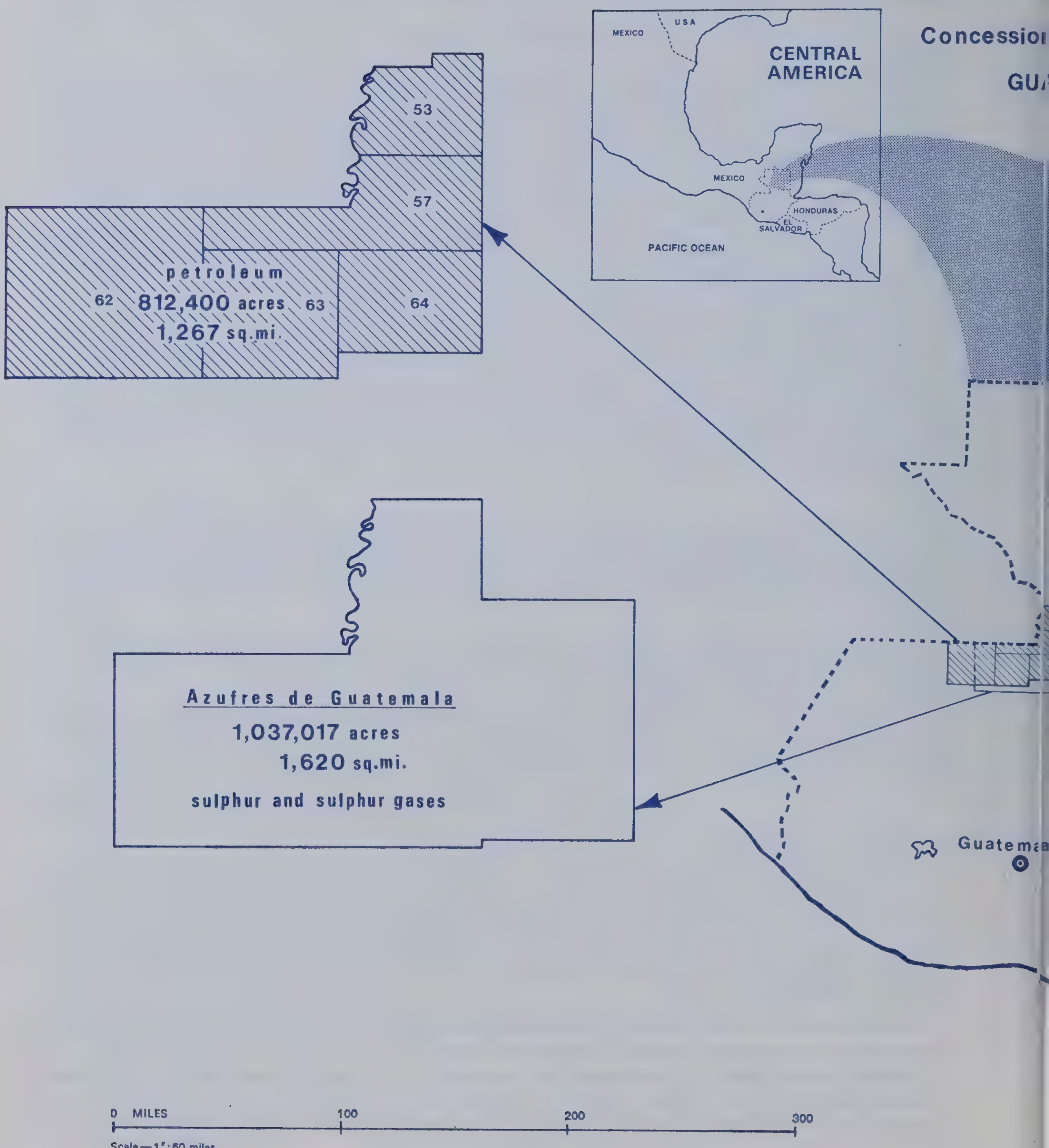
Through Grant Johnston Limited (the "Agent") as agent, the Company will offer for sale a total of 300,000 unissued common shares in the capital of the Company.

150,000 of the common shares offered by this prospectus will be offered to the public at a price of $4 per share for a period of 90 days following the issuance by the Ontario Securities Commission of a final receipt for this prospectus. The Agent will be paid a commission of $50,000 if, but only if, all of such 150,000 shares are sold. The Company must receive subscriptions for all of those common shares within the said 90 days, and on default of receipt of such subscriptions, all subscription monies will be returned to subscribers.

All subscription monies will be held by National Trust Company, Limited for payment to the Company if such subscriptions are received, and for return to the subscribers if the issue is not so subscribed.

Subject to the foregoing subscriptions being received, the Company will offer an additional 150,000 common shares at the market price prevailing from time to time, but at not less than $4 per share. The Company will offer these shares only through the Agent and commissions will be payable by the Company to the Agent at the rate of 5% of the selling price of such shares.

Basic Resources



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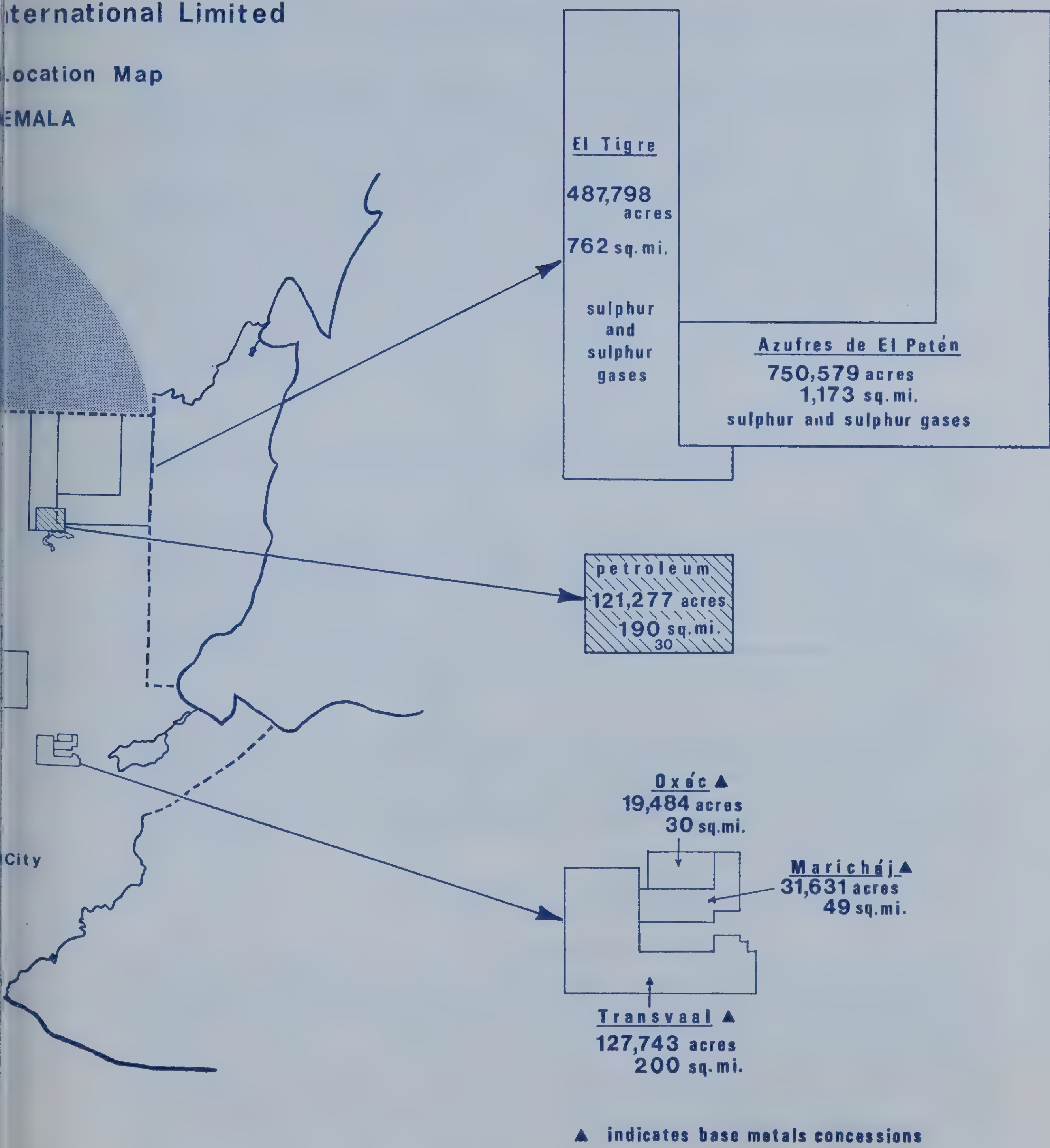
EMALA



If the minimum of 150,000 common shares are sold, Grant Johnston Limited will have the option to purchase up to 25,000 common shares at the price of $4 per share, exercisable within 180 days after issue by the Ontario Securities Commission of a final receipt for this prospectus.

Pooling Agreement

By agreement dated as of August 14, 1970, certain shareholders of the Company (the "Shareholders"), holding in the aggregate over 99% of the outstanding common shares in the capital of the Company (before giving effect to this offering) appointed Messrs. R. E. Bellamy and R. C. Heilig as selling agents (the "Selling Agents") for such Shareholders. The agreement provides that during a period of 180 days from the date upon which the Ontario Securities Commission issues its final receipt for this prospectus, the Selling Agents shall have the sole authority to make sales of common shares on behalf of the Shareholders. During the first 60 days of such period the Selling Agents will not sell any common shares; from the 61st to the 180th day of such period, the Selling Agents may sell up to 170,000 common shares, but sales between the 61st and 120th day shall not exceed, in the aggregate, 85,000 of such common shares. If the Selling Agents intend to sell in excess of 10,000 common shares in any 5-day period, they must give 24 hours' notice of such intent to the Agent. The agreement further provides that when the Selling Agents have sold 45,000 common shares, they must forthwith notify the Agent of such fact. Thereafter, the Selling Agents must give written notice to the Agent of any sale within 24 hours after such sale.

Description of Shares

The authorized capital of the Company consists of 500,000 non-cumulative redeemable preference shares with a par value of $10 each, issuable in series, and 10,000,000 common shares without par value.

Preference Shares

By supplementary letters patent dated August 7, 1970, 27,000 of the authorized preference shares of the Company were designated as non-cumulative convertible preference shares, series A. These shares have been reserved for issue in exchange for 50% of the preferred shares of Petrotech, Inc., as described under "Petrotech, Inc." on page 16.

There are no other preference shares allotted, issued or outstanding nor has the Company any plans, at the date hereof, for the issuance of any such shares. The terms and conditions attaching to any such preference shares will be determined from time to time by the Board of Directors.

Common Shares

The holders of the common shares are, subject in each case to the prior rights of the holders of the preference shares, entitled to receive pro rata such dividends as may from time to time be declared by the Board of Directors; are entitled to one vote per share at any meeting of the shareholders of the Company and are entitled upon liquidation, dissolution or winding up of the Company to receive, subject to the prior rights of holders of the preference shares, such assets of the Company as are distributable to the shareholders.

Dividends

The Company has paid no dividends since its incorporation.

Prior Sales

In the twelve months prior to the date hereof the Company has issued 160,151 common shares for an aggregate consideration of $32,047. All of these shares were issued in conjunction with interim financing to the Company aggregating $535,000 (U.S.) and $125,000 at an interest rate of 10% per annum. See "Current Indebtedness" on the next page.

As of June 30, 1970, the Company agreed to purchase 50% of the outstanding common and preferred shares of Petrotech, Inc. in consideration of the allotment and issue of 148,042 common shares and of $270,000 aggregate par value (27,000) non-cumulative redeemable convertible preference shares, series A of the Company. (See "Petrotech, Inc." on page 16).

Current Indebtedness

As at July 31, 1970, the current indebtedness of the Company included the amount of $2,012,580 representing notes payable to shareholders ($1,323,604) and advances from shareholders and associated companies ($688,976). These figures include capitalized interest on a portion thereof as noted below. The holders of $1,743,052 of this indebtedness have agreed to accept common shares in the capital of the Company in satisfaction thereof upon the terms and conditions reflected in the following tables and the comments thereon.

Name of Holder	Principal Amount of Indebtedness	Capitalized Interest to July 31, 1970	Rate of Interest	Date of Loan
Tectonic Enterprises Limited (1)	$207,638. (U.S.)	$36,205 (U.S.)	7%	Advanced to Company's Guatemalan subsidiaries from November, 1966 to May, 1968
Gairpark Enterprises Limited (2)	$321,873. (U.S.)	$73,685 (U.S.)	7%	
W. C. Brady................	$ 27,123. (U.S.)	$ 4,014 (U.S.)	7%	
Guazufres Holdings Limited (3).	$196,155.	$ 8,222	10%	February 2, 1970
J. D. Park..................	$250,000.	$ nil	10%	In instalments from incorporation to June 15, 1970

Notes 1. The only person beneficially owning more than 5% of the outstanding shares of Tectonic Enterprises Limited is J. D. Park.

2. The only persons beneficially owning more than 5% of the outstanding shares of Gairpark Enterprises Limited are Guazufres Holdings Limited and J. D. Park.

3. For details relating to Guazufres Holdings Limited see "Principal Shareholders" on page 22.

The holders of the above loans have agreed to subscribe for an aggregate of 285,838 common shares at $4 per share. These subscriptions provide that the loans will be cancelled on the issuance of such shares but their effectiveness is conditional upon the Company receiving subscriptions for the minimum 150,000 common shares offered by this prospectus. If these subscriptions become effective, the indebtedness is to be cancelled as of, and the principal amount (plus capitalized interest) converted to Canadian dollars at the exchange rate prevailing on July 31, 1970 of $1.00 (U.S.) for each $1.0275.

Name of Holder	Principal Amount of Indebtedness	Date of Loan	Number of Shares Purchased
P. C. Golffing..........	$100,000 (U.S.)	Dec. 10, 1969	41,142
Petrotech, Inc..........	$200,000 (U.S.)	Dec. 10, 1969	82,286
P. C. Golffing..........	$150,000 (U.S.)	March 13, 1970	18,516
B. B. Lockwood........	$ 50,000 (U.S.)	March 19, 1970	6,172
W. B. Macdonald......	$ 50,000	March 24, 1970	5,715
Mrs. M. J. Gardner....	$ 25,000 (U.S.)	June 30, 1970	3,086
M. J. Gardner.........	$ 10,000 (U.S.)	June 30, 1970	1,234

All of the loans listed in the above table were made to finance the Company's operations pending the completion of long-term financing. In consideration of those loans the Company issued promissory notes bearing interest at 10% per annum and gave the lenders the right to subscribe for common shares in the capital of the Company at the price of 20¢ per share, at the rate of 12.345 common shares for each $100 (U.S.) principal amount advanced, except for the loans made by P. C. Golffing and Petrotech, Inc. on December 10, 1969. In partial consideration of these loans, the Company gave the right to subscribe for 5,142 and 10,286 common shares to Mr. Golffing and Petrotech, Inc. respectively. These notes originally matured on March 10, 1970 and in consideration of an extension of the maturity date to October 10, 1970, the Company issued 36,000 and 72,000 common shares to Mr. Golffing and Petrotech, Inc., respectively. The value of such shares was fixed by the directors at 20¢ each.

Each of the holders agreed to convert his note into common shares of the Company on or before October 10, 1970. If prior to that date there is a successful public offering of the Company's common shares the holder must convert at the same price at which such shares are offered to the public. Accordingly, if the minimum 150,000 common shares offered by this prospectus are sold to the public these notes will be converted into 149,925 common shares, at a price equal to $4 per common share. In the event that this public offering is not successful, these notes must be converted prior to October 10, 1970 at the rate of 28.571 common shares for each $100 principal amount. Each of the holders of notes payable in U.S. dollars has agreed that for conversion purposes such note will be translated into Canadian dollars at the rate of exchange prevailing on July 31, 1970 of $1.00 (U.S.) for each $1.0275.

Name of Holder	Principal Amount of Indebtedness	Capitalized Interest to July 31, 1970	Rate of Interest	Date of Loan
Charterhouse Canada Limited.......	$ 75,000	$ nil	10%	Sept. 2, 1969
D. C. Campbell....................	35,000	nil	10%	Jan. 1, 1970 to July 24, 1970
J. D. Park.......................	158,704	809	10%	June 17, 1970 to July 22, 1970

All of the loans listed in the above table were made in consideration of the issue by the Company of notes bearing interest at the rate of 10% per annum. As additional consideration for the loan from Charterhouse Canada Limited, Charterhouse Group Canada Limited was given the right to subscribe and did subscribe for 2,000 common shares in the capital of the Company at the price of 20¢ per share. All the above indebtedness will be repaid from the proceeds of this issue.

Options to Purchase Securities

On the date hereof the following employee incentive stock options in favor of senior officers were outstanding:

Number of Common Shares	Option Price	Expiry Date
50,000	$2.50	May 4, 1975
50,000	$4.00	February 28, 1975
25,000	$4.00	July 30, 1975

In addition, 25,000 common shares are under option to Grant Johnston Limited at the price of $4 per share (See "Plan of Distribution" on page 17) and 11,690 common shares have been reserved for issue to persons holding options to acquire 40,000 shares of Petrotech. The optionees of Petrotech have agreed that, on exercise of their options, 50% of the shares received will be exchanged for common shares of the Company at the rate of 1.711 shares of Petrotech for each share of the Company.

Speculative Nature

The Company has no earnings record. Future earnings will depend on the success of the exploration programmes described herein and their subsequent financing to production. The common shares offered by this prospectus may accordingly be considered speculative.

Principal Shareholders

The only persons owning 10% or more of the common shares of the Company at the date hereof are:

Name of Shareholder	Type of Ownership	Number of Common Shares Before Offering	Number of Common Shares After Offering	Percentage of Shares Before Offering	Percentage of Shares After Offering
J. D. Park	Of record	961,746	1,024,246	30.48	26.33
	Beneficially(1)	886,540	1,056,808	28.09	27.18
Guazufres Holdings Limited	Of record	985,885	1,036,979	31.24	26.66
	Beneficially(1)	1,002,286	1,104,185	31.76	28.39
William Connolly Brady Cuernavaca, Mexico.	Of record	439,050	447,048	13.91	11.49
	Beneficially(1)	447,268	455,266	14.17	11.71

NOTE (1): These shares are the same shares as those held of record, with additions or subtractions for shares held by or for other persons.

Guazufres Holdings Limited is a holding company incorporated under the laws of Ontario. Of the 999,388 outstanding shares in the capital of this company, 479,780 are beneficially owned by Mr. J. D. Park, 199,754 are beneficially owned by Argor Explorations Limited, a holding company for Mr. A. W. Stollery and his family and 213,228 are beneficially owned by 19 directors, officers or employees of A. E. Ames & Co.

As a group, the directors and senior officers of the Company own, directly or indirectly, 557,044 common shares of Guazufres Holdings Limited as at the date hereof. Their percentage of the total outstanding common shares of the Company, direct and indirect, is equal to 59.14% and 56.36% respectively before and after this financing.

Promoter

The founder and promoter of the Company is Mr. J. D. Park who is currently its President and a Director (see "Management" below).

Management

Directors and Officers

Name and Address	Office	Principal Occupation
JOHN DAVID PARK 50 The Bridle Path, Don Mills, Ontario.	President & Director	Executive of the Company
DONALD COLIN CAMPBELL 1469 Foxfield Court, Clarkson, Ontario.	Vice President—Guatemalan Operations & Director	Executive of the Company
BRUCE BURT CORDEN 1295 North River Road, St. Clair, Michigan.	Vice President—Petroleum & Director	President, Petrotech, Inc.
MELVIN JOSEPH GARDNER 10 Woods Way, Larchmont, New York.	Director	Vice President, Investment banking, Shearson, Hammill & Co. Incorporated
PETER CONRAD GOLFFING 4 Horizon Road, Fort Lee, New Jersey.	Director	Retired
DONALD FYFE KING 11 St. Ives Crescent, Toronto, Ontario.	Director	Investment Dealer Grant Johnston Limited
BERNARD BRUCE LOCKWOOD, Q.C. 11 Lytton Boulevard, Toronto, Ontario.	Secretary & Director	Partner of Blake, Cassels & Graydon
KENNETH GOW MURTON 330 Spadina Road, Toronto, Ontario.	Director	Director, A. E. Ames & Co. Limited
BENITO NOYOLA Paseo De La Reforma, Mexico City, Mexico.	Director	Lawyer
DONALD DESMOND UTTERBACK 2223 Palmer Avenue, New Orleans, Louisiana.	Vice President—Exploration	Executive of the Company
WILLIAM JAMES CLARRY, C.A. 32 Shrewsbury Square, Agincourt, Ontario.	Controller	Executive of the Company

The full Board constitutes 11 members. It is expected that one of the existing vacancies will be filled by a nominee of Sumitomo Metal Mining Co., Ltd., who have agreed to nominate a candidate for election or appointment to the Board.

All of the directors and officers of the Company have held their present positions or other positions with the same firms or associated firms for the past five years except:

Mr. J. D. Park has been Chairman of Resources Engineering of Canada Limited since 1966 and was President of Bridge and Tank Company of Canada Limited until 1967.

Mr. D. C. Campbell was a self-employed consulting engineer before joining Resources in 1966.

Mr. W. J. Clarry was an accountant with Messrs. Blake, Cassels & Graydon before joining Resources in 1970.

Mr. B. B. Corden was a self-employed consulting petroleum geologist and engineer prior to the formation of Petrotech, Inc. in 1969.

Mr. D. F. King was an associate with Greenshields Inc., prior to 1968.

Mr. M. J. Gardner was an associate with Bear, Stearns & Co. prior to 1966.

Mr. P. C. Golffing, before his retirement in 1967, was executive Vice-President of the Mem Company Inc.

Dr. D. D. Utterback was a self-employed mineral exploration consultant before joining Resources in 1969 and prior to that time was Vice President, Exploration and Development for Freeport Oil Company, Division of Freeport Sulphur Company.

Remuneration

The aggregate direct remuneration paid or payable by the Company and the subsidiaries to directors and senior officers for the fiscal year ended June 30, 1970, was $112,708. For the current fiscal year ending June 30, 1971, such aggregate direct remuneration is estimated to be $147,000. Neither the Company nor the subsidiaries have any pension or benefit plans.

Interest of Management and Others in Material Transactions

On August 14, 1968, Mr. J. D. Park sold to Parghi Mining Corporation Limited (the wholly owned Bahamian subsidiary of the Company) his 50% interest in Recursos del Norte Limitada at his cost of $25,000 (U.S.). On the same day Mr. Park also sold to the Company his 5% interest in Transmetales Limitada at his cost of $250 (U.S.) and his 50% interest in Parghi Mining Corporation Limited at his cost of $2,250 (U.S.).

On August 14, 1968 Mr. W. C. Brady sold to the Company his 25% interest in Recursos del Norte Limitada at his cost of $12,500 (U.S.), his 2½% interest in Transmetales Limitada at his cost of $125(U.S). and his 25% interest in Parghi Mining Corporation Limited at his cost of $1,125 (U.S.).

(Before incorporation of the Company, 90% of the capital of Transmetales Limitada was owned by Parghi Mining Corporation Limited. The remaining interests in all three subsidiaries were acquired by the Company from a third individual who is not now associated with the Company at his aggregate cost of $13,750 (U.S.). The said 90% of Transmetales Limitada was acquired by Parghi Mining Corporation Limited as follows: 45% from J. D. Park at his cost of $2,250 (U.S.), 22½% from W. C. Brady at his cost of $1,125 (U.S.) and 22½% from the said third individual at his cost of $1,125 (U.S.)).

Mr. B. B. Lockwood, a director and senior officer of the Company and a partner in the firm of Blake, Cassels & Graydon, solicitors for the Company, is a shareholder of the Company and of Guazufres Holdings Limited.

Messrs. P. C. Golffing, K. G. Murton and B. B. Corden are shareholders of Petrotech and, upon successful completion of this offer, are entitled to receive common shares of the Company in exchange for the sale to the Company of 50% of their respective holdings of shares in the capital of Petrotech. The number of shares of Petrotech to be sold by each of them to the Company and the number of shares of the Company to be issued to each of them is as follows:

Name	Number of Petrotech Shares to be sold	Cost of Petrotech Shares to Vendor	Number of Shares to be Received
P. C. Golffing	40,000 Common	$ 52,500 (U.S.)	23,378 Common
K. G. Murton	30,000 Common	$ 35,000 (U.S.)	17,533 Common
B. B. Corden	80,000 Common	$ 70,000 (U.S.)	46,756 Common
P. C. Golffing	250,000 Preferred	$250,000 (U.S.)	27,000 Series A Preference

On September 20, 1969, Mr. P. C. Golffing furnished to the Government of Guatemala, on behalf of the Company, proof of ability to expend up to $1,000,000 (U.S.) on exploration of the six petroleum concessions referred to in this prospectus. In consideration of his assistance, the Company agreed to make an oil payment of $100,000 (U.S.) to Mr. Golffing out of the net proceeds to Resources from those concessions.

Mr. J. D. Park is the controlling shareholder of Resources Engineering of Canada Limited, which has agreed jointly with Kilborn Engineering Limited, to design a concentrator for the Oxec project, as set forth on page 9.

Auditor, Transfer Agent and Registrar

The auditors of the Company are Arthur Andersen & Co., Box 29, Toronto-Dominion Centre, Toronto, Ontario.

The transfer agent and registrar for the common shares of the Company is National Trust Company, Limited, 21 King Street East, Toronto 1, Ontario.

Escrowed Shares

2,000,000 common shares are subject to an Escrow Agreement dated August 14, 1970 between the Company, certain shareholders and National Trust Company, Limited as Escrow Agent, which provides that such 2,000,000 common shares are irrevocably placed in escrow with the Escrow Agent, and will be held until released from escrow upon the prior written consent of the Ontario Securities Commission and the Quebec Securities Commission.

Material Contracts

In addition to contracts entered into in the normal course of business, Resources has entered into the following contracts since August 14, 1968:

1. the agreement dated March 25, 1969 with Monsanto relating to sulphur exploration referred to on page 15;
2. the agreements dated February 21, 1970 with Mr. Rudi Weissenberg Martinez and Fernandez Ginochio y Cia. Limitada assigning to Resources rights in petroleum concessions in consideration of production royalties as referred to on page 10;
3. the agreement dated May 7, 1970 with Monsanto relating to oil exploration referred to on page 13;
4. the agreement dated March 23, 1970 with Mr. Leonard L. Limes providing for the oil production payment referred to on page 14;
5. the agreements dated August 14, 1968 with Mr. J. D. Park referred to on page 24 providing for the sale to Resources of his interest in Parghi Mining Corporation Limited, Recursos del Norte Limitada and Transmetales Limitada;
6. the agreements dated August 14, 1968 with Mr. W. C. Brady providing for the sale to Resources of his interests in Recursos del Norte Limitada, Parghi Mining Corporation Limited and Transmetales Limitada referred to on page 24.
7. the agreement dated September 20, 1969 with Mr. P. C. Golffing referred to above relating to an oil production payment to Mr. Golffing;
8. the agreements dated as of June 30, 1970 relating to the acquisition of 50% of the outstanding shares of Petrotech, Inc. as referred to on page 16;
9. the agreements providing for the issue of common shares of the Company upon cancellation of loans to the Company referred to on page 21;
10. the agreement dated as of August 14, 1970 with the Agent and National Trust Company, Limited relating to the sale of common shares offered by this prospectus and to the disposition of net proceeds of the sale of common shares hereby offered as referred to on pages 17 and 20;
11. the pooling agreement referred to on page 20;

12. the agreement dated December 13, 1968 with United Fruit Company providing for the payment to that company of advances made by it to Resources as described in Note 3 to the consolidated balance sheet of the Company;

13. the letter of intent dated June 20, 1970 with Sumitomo Metal Mining Co., Ltd. described on pages 9 and 10; and

14. the Agreement dated August 14, 1970 between the Company, certain shareholders and National Trust Company, Limited as Escrow Agent referred to on page 25.

Copies of the foregoing agreements may be examined during normal business hours at the head office of the Company during the period of primary distribution of the securities offered by this prospectus and for a period of 30 days thereafter.

Auditors' Report

To the Directors of:

Basic Resources International Limited:

We have examined the consolidated balance sheet of Basic Resources International Limited (an Ontario corporation and formerly named Guatemala Sulphur and Resources Corporation Limited) and subsidiaries as of February 28, 1970 and the consolidated statement of source and use of funds from June 25, 1968 (date of incorporation) to February 28, 1970. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As set forth in Note 2, the Company and its subsidiaries have incurred exploration costs in the amount of $4,239,087 and the recovery of these costs is dependent upon the future commercial productivity of the concessions held.

In our opinion, subject to the recovery of the costs referred to in the preceding paragraph, the consolidated balance sheet presents fairly the financial position of Basic Resources International Limited and its subsidiaries as of February 28, 1970 and the source and use of funds for the period then ended, in accordance with generally accepted accounting principles.

We have also reviewed the entries giving effect to the transactions described in Note 8 of the notes to consolidated financial statements. As set forth in Note 8, the pro forma entries are based on the issue to the public of 150,000 common shares at the minimum price of $4 per share to aggregate $600,000, being the minimum amount required to have an effective issue of common shares. In our opinion, subject to the consummation of the proposed transactions, on the basis stated, such entries have been properly applied to the historical consolidated balance sheet of Basic Resources International Limited and its subsidiaries as of February 28, 1970, to reflect those transactions.

(Signed) Arthur Andersen & Co.
Chartered Accountants

April 25, 1970
(except for subsequent events
referred to in Notes 5, 7 and 8)

Basic Resources International Limited
and Subsidiaries
Consolidated Balance Sheet February 28, 1970

Assets

	Historical	Pro-Forma (Note 8)
CURRENT ASSETS:		
Cash	$ 39,383	$ 838,651
Accounts receivable—		
Advances to employees	1,607	1,607
Other	12,014	12,014
Total current assets	$ 53,004	$ 852,272
OFFICE AND SUNDRY EQUIPMENT, at cost	$ 61,662	$ 61,662
Less: Accumulated depreciation	8,359	8,359
	$ 53,303	$ 53,303
LAND, at cost	$ 3,240	$ 3,240
50% INVESTMENT IN PETROTECH, INC.	$ —	$ 862,168
50% INVESTMENT IN AZUFRES VERAPAZ LIMITADA, at cost	$ 1,080	$ 1,080
UNRECOVERED EXPLORATION COSTS (Note 2):		
Direct company operation	$3,590,807	$3,682,862
Joint venture contribution	648,280	648,280
	$4,239,087	$4,331,142
	$4,349,714	$6,103,205

Liabilities

	Historical	Pro-Forma (Note 8)
CURRENT LIABILITIES:		
Notes payable—		
Shareholders	$ 759,000	$ —
Other	127,924	127,924
Accounts payable and accrued liabilities—		
Shareholders	68,356	54,920
Due to joint venture	276,800	276,800
Other	406,741	406,741
Total current liabilities	$1,638,821	$ 866,385
DEFERRED LIABILITIES (Note 3):		
Shareholder and associated companies advances	$ 707,838	$ —
Other advances	318,600	318,600
	$1,026,438	$ 318,600
DEFERRED CREDIT (Note 4)	$ 621,000	$ 621,000
CAPITAL STOCK (Note 5)	$ 442,455	$3,676,220
CONTRIBUTED SURPLUS (Note 4)	$ 621,000	$ 621,000
CONTINGENCIES (Note 6)		
	$4,349,714	$6,103,205

The accompanying notes are an integral part of this balance sheet.

Approved on behalf of the Board:

(Signed) K. G. MURTON, Director (Signed) JOHN D. PARK, Director

Basic Resources International Limited
and Subsidiaries
Consolidated Statement of Source and Use of Funds
For the Period from June 25, 1968
(Date of Incorporation) to February 28, 1970

SOURCE OF FUNDS:	
Sale of capital stock	$ 431,205
Bank loan	108,000
Shareholders and associated companies	1,427,339
Monsanto subsidiary (Note 4)	1,242,000
United Fruit Company (Note 3(b))	318,600
Other	289,924
	$3,817,068
USE OF FUNDS:	
Repayment of:	
Bank loan	$ 108,000
Advances from others	162,000
Investment in Azufres Verapaz Limitada	1,080
Land, Office and Sundry Equipment	64,902
Accounts receivable	13,621
Unrecovered exploration costs	3,428,082
	3,777,685
CASH BALANCE, February 28, 1970	$ 39,383

Basic Resources International Limited
and Subsidiaries

Notes to Consolidated Financial Statements
as of February 28, 1970

1. BASIS OF CONSOLIDATION AND RELATED INFORMATION

The accompanying consolidated financial statements include the accounts of Basic Resources International Limited ("Company") and the accounts of its subsidiary companies, including transactions prior to acquisition. All subsidiary companies are effectively wholly-owned by the Company as follows:

(a) Parghi Mining Corporation Limited ("Parghi")—
The Company owns all of the issued and outstanding stock of Parghi.

(b) Transmetales Limitada ("Transmetales")—
The Company owns 10% and Parghi owns 90% of the capital of Transmetales.

(c) Recursos del Norte Limitada ("Recursos")—
The Company owns 50% and Parghi owns 50% of the capital of Recursos.

The accounts of the Company and Parghi are maintained in U.S. dollars. The accounts of Transmetales and Recursos are maintained in Guatemalan currency (Quetzal). The Quetzal has been at par with the U.S. dollar since 1924. In the accompanying consolidated financial statements, the Quetzal and U.S. dollar have been translated into Canadian dollars on the basis that each Quetzal or U.S. dollar is equal to $1.08 Canadian, except for the pro-forma transactions referred to in Note 8.

2. UNRECOVERED EXPLORATION COSTS

The Company and its Subsidiaries are deferring all costs, including financing, administrative, organizational and promotional expenses. Unrecovered exploration costs are summarized by the Company as follows:

Assay	$ 27,108
Bad debts	78,441
Camp construction and operations	325,028
Consulting services	385,255
Drilling	540,532
Exploration machinery and equipment	162,833
Financial and interest	169,849
Insurance, bonds, etc.	26,633
Legal and audit	254,808
Licenses, fees, taxes, permits	94,318
Organization expense	11,223
Promotional expense	70,821
Rentals (buildings, equipment, machinery)	97,913
Transportation and travel	338,246
Wages and salaries	806,782
Other	201,017
Direct Company Operations	3,590,807
Contributions to joint venture	648,280
Total	$4,239,087

The companies are presently allocating their expenditures by concession, where applicable, although a complete allocation of expenditures incurred will not be made until the commercial productivity of each concession can be determined.

As of February 28, 1970, the Company and its Subsidiaries were the holders or beneficial holders of the mineral concessions known as Azufres de El Peten, El Tigre, Oxec, Marichaj and Transvaal. Also, the concession known as Azufres de Guatemala was owned by Azufres Verapaz Limitada, which was owned jointly by the Company and a subsidiary of the Monsanto Company (further referred to in Note 4). Under a contract, dated February 21, 1970, the Company and its Subsidiaries obtained the rights to explore and exploit six petroleum concessions, taking all production in return for a royalty of 2%.

3. Deferred Liabilities

Deferred liabilities consist of the following items:

(a) Loans from shareholders and associated companies (all of whom were former partners in Recursos and Transmetales) include interest at 7% per annum to February 28, 1970. It is the intention of the parties involved to convert these loans (together with interest at 7% per annum, to the date of conversion) into common shares of the Company.

(b) Other advances (United Fruit Company) are repayable out of 50% of future proceeds received by the Company and/or its Subsidiaries from certain named concessions owned or in the process of being acquired as at December 13, 1968. These advances have no repayment dates and are not repayable if no proceeds are received from these concessions.

4. Deferred Credit

Under an agreement dated March 25, 1969, a subsidiary of the Monsanto Company ("Monsanto") agreed to and has advanced sums aggregating $1,242,000 ($1,150,000 U.S.) to the Company for exploration purposes. By the terms of this agreement 50% of such advances are not recoverable by Monsanto and accordingly $621,000 of the aforementioned advances was credited to contributed surplus, pending allocation of expenditures as referred to in Note 2. The balance of $621,000 will be recoverable by Monsanto out of profits, if any, from future operations of the concession known as Azufres de Guatemala.

This concession is owned directly by Azufres Verapaz Limitada, a company owned 50% by each of the Company and Monsanto. The three companies, by contract dated September 15, 1969, agreed to develop the concession and to participate in the proceeds derived from the production and sale of minerals. By this contract, Monsanto and the Company agreed to develop the concession and share equally the costs connected therewith.

In order to effect a proper presentation of future operations, the balance of $621,000 (to be recovered by Monsanto out of future profits of the concession) has been recorded as a deferred credit in the accompanying consolidated balance sheet, and will be reflected in future operations, after appropriate amortization of related costs, in one of three methods summarized below:

(1) If sufficient proceeds are distributed to enable Monsanto to recover the full amount of the 50% so advanced, the Company will transfer the deferred credit to income in annual amounts equal to the annual recovery of advances by Monsanto.

(2) If sufficient proceeds are not distributed to enable Monsanto to recover the full amount of the 50% so advanced at the time of cessation of operations, any balance remaining as a deferred credit will be offset against unamortized costs of the operation at the time of cessation of operations.

(3) If the operations of Azufres Verapaz Limitada do not provide for the distribution of any proceeds and the operation is abandoned, the deferred credit will be offset against any losses incurred by the Company on such abandonment.

Monsanto waives recovery of any portion of the amounts so advanced under the agreement and any liability of the Company to Monsanto ceases if:

(a) minerals in commercial quantities are not discovered and the concession is abandoned, or

(b) Monsanto cancels its participation in the exploration program before minerals in commercial quantities are discovered.

5. Capital Stock

The capital stock of the Company authorized, issued and optioned is summarized as follows:

(A) The authorized capital stock of the Company as of February 28, 1970 was—

5,000,000 Common shares without par value (pro-forma 10,000,000 shares)
500,000 Non-cumulative redeemable preference shares with a par value of $10 each, issuable in series

(B) The issued capital stock of the Company is:

	Historical		Pro-forma	
	Number of Shares	Value	Number of Shares	Value
Common Shares				
for cash	1,478,464	$431,205	2,956,928	$ 431,205
for services rendered	28,000	11,250	56,000	11,250
for cash (Notes 7(B) (ii) and 7(G) (i))	—	—	184,723	606,945
for services rendered (Note 7(C))	—	—	108,000	21,600
for conversion of debt (Note 7(G)(iii))	—	—	435,763	1,743,052
for acquisition of 50% of common shares of Petro-tech, Inc. (Note 7(F))	—	—	148,042	592,168
	1,506,464	$442,455	3,889,456	$3,406,220
Preference Shares-Series A				
for acquisition of 50% of preferred shares of Petro-tech, Inc. (Note 7(F))			27,000	270,000
		$442,455		$3,676,220

(C) As of February 28, 1970, there was an outstanding option to an officer of the Company to purchase 25,000 common shares (50,000 common shares as constituted on May 2, 1970) without par value of the Company at the same price per share as the issue price of the shares in any future public financing. This option was granted on September 6, 1969 and expires on February 28, 1975. (See also Notes 7(D), 7(F) and 7(G)(ii)).

6. Contingencies

The Company is contingently liable as follows:

(A) An oil payment of $250,000 (U.S.), less applicable royalties, out of 25% of the net proceeds received by the Company or its Subsidiaries from the production of petroleum under the agreement referred to in Note 7(E). This oil payment is payable to a broker who is a shareholder of the Company, as a finder's fee under an agreement dated March 23, 1970 referred to on page 14.

(B) An oil payment of $100,000 (U.S.) out of the net proceeds received by the Company or its Subsidiaries from the six petroleum concessions referred to in Note 2. This oil payment is payable to Mr. Peter C. Golffing, a director of the Company, under an agreement dated September 20, 1969 referred to on page 25.

7. Events Subsequent to February 28, 1970

(A) Supplementary letters patent, dated May 1, 1970, and August 7, 1970 were granted:

(i) changing the name of the Company from Guatemala Sulphur and Resource Corporation Limited to Basic Resources International Limited;

(ii) subdividing the 1,506,464 issued and 3,493,536 unissued common shares without par value into 3,012,928 issued and 6,987,072 unissued common shares without par value; and

(iii) designating 27,000 of the Preference Shares as 6% non-cumulative convertible preference shares, Series A, redeemable at $10.60 per share. The par value of those preference shares is convertible into common shares at the price of $3.75 per share.

(B) Receipt of additional funds in the amount of $553,800 from shareholders evidenced by:

(i) the sale of $553,800 promissory notes of the Company for a cash consideration of $546,855; and

(ii) the issue of 34,723 subdivided common shares of the Company for a cash consideration of $6,945.

(C) Issuance of 108,000 subdivided common shares without par value of the Company in consideration for the extension of the maturity on certain shareholders' promissory notes and their agreement to convert such notes, under certain conditions, into common shares without par value of the Company. The directors have deemed that the fair equivalent of the foregoing transaction with shareholders is $21,600.

(D) The directors have granted to officers of the Company, options to acquire common shares without par value of the Company as follows:

(i) 50,000 shares at the option price of $2.50 per share (granted on April 28, 1970 and expiring on May 4, 1975) and

(ii) 25,000 shares at the option price of $4.00 per share (granted on July 30, 1970 and expiring on July 30, 1975).

(E) On May 7, 1970, subsidiaries of Monsanto Company ("Monsanto") and the Company's subsidiaries entered into an agreement whereby Monsanto could earn a 50% interest in certain of the acreage covered by the Company's right to explore and exploit six petroleum concessions, as referred to in Note 2, by:

(i) payment by Monsanto of $108,000 ($100,000 U.S.) on signing;

(ii) carrying out a minimum exploration program as described on page 13, at the sole expense of Monsanto; and

(iii) proving a petroleum reserve of not less than 50,000,000 barrels of recoverable petroleum or hydrocarbon equivalent, as described on page 13, at the sole expense of Monsanto.

(F) The Company agreed as of June 30, 1970 to acquire 50% of the presently outstanding shares of Petrotech, Inc. (a private company incorporated in the State of Delaware, U.S.A., and a shareholder of the Company) in exchange for 148,042 subdivided common shares and 27,000 preference shares, Series A of the Company. In addition, the Company has agreed with persons associated with Petrotech Inc. to acquire from them, (on the same basis of exchange) on the exercise of options held on common shares of Petrotech, Inc., 50% of such shares up to a maximum of 20,000 shares. If fully exercised this would require the issue by the Company of a further 11,690 common shares. The Company's offer is subject to the Company making an issue of its common shares to the public.

(G) Pursuant to an agreement dated August 14, 1970, between the Company and a registered securities dealer ("Agent"), the Company will offer for sale a total of 735,763 unissued common shares without par value through the Agent acting on a "best efforts" basis. Under the terms of the said agreement:

(i) 150,000 common shares will be offered to the public at a price of $4.00 per share for the period of 90 days following the issuance by the Ontario Securities Commission of a final receipt for this prospectus. All subscription monies will be held in trust for payment to the Company if all of these shares are subscribed for, and for return to the subscribers if the issue is not so subscribed;

(ii) the Agent will be paid commissions aggregating $50,000 in respect of the sale of the shares referred to in (i) above and will be granted an option to purchase 25,000 common shares of the Company at $4.00 per share; and

(iii) 435,763 common shares have been subscribed for by the holders of $1,743,052 principal amount of indebtedness of the Company ($405,828 of which was incurred subsequent to February 28, 1970) in full satisfaction of such indebtedness to the Company. These subscriptions and the relative cancellation of indebtedness will not become effective unless the Company receives subscriptions for all of the shares referred to in (i) above.

Subject to the Company receiving subscriptions for the 150,000 shares referred to in paragraph (G) (i) above, the Company will:

(i) offer, through the Agent an additional 150,000 common shares without par value at the market price prevailing from time to time, but not less than $4.00 per share, following receipt by the Company of the said minimum subscription; and

(ii) pay a commission to the Agent on the sale of these common shares at the rate of 5% of the selling price of such shares.

8. Pro Forma Transactions

The pro forma consolidated balance sheet gives effect, as at February 28, 1970, to the following transactions:

(a) The subdivision of the common shares referred to in Note 7(A)(ii);

(b) The receipt of additional funds and issuance of 34,723 common shares, as outlined in Note 7(B);

(c) The issue of 108,000 common shares as outlined in Note 7(C);

(d) The issue of 585,763 common shares without par value as set forth in an agreement dated August 14, 1970 between the Company and Agent as outlined in Note 7(G) as follows:

(i) 150,000 common shares to the public at a minimum of $4.00 per share.

(ii) 435,763 common shares upon the cancellation of $1,743,052 principal amount of indebtedness of the Company ($405,828 of promissory notes and $26,028 for capitalized interest on deferred liabilities subsequent to February 28, 1970);

(e) The payment of the Agent's commission of $50,000 and other expenses incurred in the issue, estimated at $35,000, included under "Unrecovered Exploration Costs";

(f) $269,528 to retire the balance of outstanding shareholders' accounts;

(g) Issue of 148,042 common shares and 27,000 preference shares Series A of the Company in exchange for 50% of the outstanding shares of Petrotech, Inc. as outlined in Note 7 (F).

(h) A credit of $47,518 resulting from the translation into Canadian dollars at the rate in effect on July 31, 1970 ($1.00 U.S. =$1.0275 Can.) of certain indebtedness incurred in U.S. dollars has been applied against the item "Unrecovered Exploration Costs".

Accountants' Report

Board of Directors
Petrotech, Inc.
1295 North River Road
St. Clair, Michigan 48079

We have examined the balance sheet of Petrotech, Inc., as of May 31, 1970 and the related statement of income and expenses for the period from the date of incorporation (November 6, 1969) to May 31, 1970. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

A major portion of the assets reflected on the balance sheet as of May 31, 1970 were acquired during the period from November 6, 1969 to January 13, 1970 in exchange for capital stock of the corporation. The values of the assets so transferred were assigned by the Board of Directors, as detailed in Note A to the balance sheet. It was impracticable for us to independently verify the market values of those assets, either as of the date transferred to the corporation or as of May 31, 1970, and accordingly, we do not express an opinion as to their respective values so assigned by the Board of Directors.

In our opinion, with the exception stated in the preceding paragraph, the accompanying balance sheet and statement of income and expenses present fairly the financial position of Petrotech, Inc. as of May 31, 1970 and the results of its operations for the period from November 6, 1969 to May 31, 1970, in conformity with generally accepted accounting principles.

(Signed) JANZ & KNIGHT
Certified Public Accountants

Birmingham, Michigan
June 23, 1970

Petrotech, Inc.
(a Delaware corporation)

Balance Sheet—May 31, 1970
(Stated in U.S. Dollars)

Assets

CURRENT ASSETS:		
Cash in banks:		
Michigan National Bank	$ 24,763.00	
Bank of Nova Scotia	10,277.54	
Commercial Savings Bank of St. Clair	1,949.63	$ 36,990.17
Accounts receivable:		
Trade	$ 6,389.68	
Officer and employees	356.80	6,746.48
Prepaid expenses:		
Organization costs	$ 7,197.35	
Insurance	1,149.29	8,346.64
Advance to and investment in Basic Resources International Limited (Note B)		200,000.00
Note receivable—(Note A)		81,000.00
Total current assets		$ 333,083.29
OTHER INVESTMENTS:		
Working interest—REDCO—(Note A)	$442,490.00	
Working interest—SECO—(Note A)	25,000.00	
Joint Venture—CEPCO, at cost—(Note C)	10,000.00	477,490.00
Lease acquisition costs		104,121.78
PROPERTY AND EQUIPMENT—(Note A):		
Drilling equipment	$126,440.49	
Field equipment	4,842.71	
Office equipment	3,461.43	
Geological library	5,666.67	
	$140,411.30	
Less: Allowance for depreciation	16,685.73	123,725.57
		$1,038,420.64

Liabilities

CURRENT LIABILITIES:		
Accounts payable—trade		$ 13,356.83
Employee withholding taxes payable		2,371.06
Accrued payroll taxes		89.64
		$ 15,817.53

Capital

CAPITAL STOCK—PAR VALUE .01c PER SHARE:		
Common—authorized 1,000,000 shares, issued and outstanding 506,600 shares	$ 5,066.00	
Preferred—authorized, issued and outstanding 500,000 shares	5,000.00	10,066.00
Capital surplus—(Note A)		1,086,586.28
(Deficit)—Net loss for period from date of incorporation to May 31, 1970, statement annexed		(74,049.17)
		$1,038,420.64

Reference is made to the annexed Notes to Balance Sheet

Approved on behalf of the Board:

(Signed) K. G. MURTON, Director (Signed) B. B. CORDEN, Director

Petrotech, Inc.

Notes to Balance Sheet
May 31, 1970

NOTE A—Petrotech, was incorporated on November 6, 1969. Assets transferred to the corporation from November 6, 1969 to January 13, 1970 were as follows:

Name	Description	Assets Transferred (values assigned by Board of Directors)	Capital Stock Issued (.01c Par Value) Preferred	Common	Capital Surplus
Transferred to Corporation for preferred stock					
Peter C. Golffing	Cash	$ 419,000.00			
	Note receivable from John D. Park, President, Basic Resources International Limited, due April 29, 1970, and assigned without recourse by Peter C. Golffing to Petrotech, Inc. (and 2,000 common shares of Basic Resources International Limited)	81,000.00			
	Sub-totals	$ 500,000.00	$5,000.00		
Transferred to Corporation for common stock:					
Peter C. Golffing	7.50% working interest in REDCO*	105,000.00		$ 800.00	
Bruce B. Corden	10.00% working interest in REDCO*	140,000.00		1,600.00	
Kenneth G. Murton	5.00% working interest in REDCO*	70,000.00		600.00	
Guy S. Garber, Jr.	3.75% working interest in REDCO*	35,000.00		200.00	
Guy S. Garber, Jr.	3.75% working interest in REDCO*	17,490.00		106.00	
Walter L. Harvey	9.00% working interest in REDCO* 22.50% working interest in SECO**	100,000.00		1,000.00	
Wayne Sutherland	Core bits, core barrels, trailers and equipment	19,262.28		100.00	
Wendell A. Miles	Cash	1,650.00		10.00	
Veryl N. Meyers	Cash	8,250.00		50.00	
Calvert Eastern Drilling Co.	HB30SC drilling rig with complete equipment for operating rig	100,000.00		600.00	
	Total capitalization	$1,096,652.28	$5,000.00	$5,066.00	$1,086,586.28

*REDCO—Reef Exploration and Development Company, a Michigan co-partnership with interests in the Leonard Gas Field and Tiger field (Michigan).

**SECO—St. Clair Exploration Company, a Florida Limited partnership with interests in the Leonard Gas Field (Michigan).

NOTE B—The corporation advanced the sum of $200,000.00 on December 10, 1969 to Basic Resources International Limited, receiving a demand note bearing interest at the rate of 10% per annum. On May 4, 1970 this note was exchanged for a new note maturing October 10, 1970. As partial consideration for this loan the corporation received 82,286 common shares of Basic Resources International Limited. The conditions to the note provide that in the event of a public issue of common shares of Basic Resources International Limited prior to maturity, the note is to be exchanged for common shares at the issue price, and further that if no public issue takes place prior to maturity, the note may be repaid by the issue of 61,714 common shares by Basic Resources International Limited to the corporation.

NOTE C—The corporation entered into a joint venture agreement on November 11, 1969 with CEPCO Drilling Limited, an Ontario corporation, providing for the business of drilling of wells on a contract basis within the Province of Ontario, Canada. The agreement provides for an initial capital contribution of $10,000.00 each and an equal sharing of costs and net profits and losses, with a semi-annual accounting of same by CEPCO. The net profits of the venture to May 31, 1970 have been estimated by CEPCO management at slightly less than $50,000.00. Petrotech's fifty percent share of the foregoing profits have not been reflected on Petrotech's financial statements as of May 31, 1970, pending completion of audit by CEPCO's independent auditors of their books of account for the year ended May 31, 1970.

NOTE D—According to management, the corporation entered into an option agreement subsequent to May 31, 1970 with Michigan Consolidated Gas Company for the purchase of Petrotech's interest in the Leonard Gas Field (through REDCO and SECO) for the amount of $262,483.00 payable over a period of five years commencing December 15, 1970.

Petrotech, Inc.

Statement of Income and Expenses
(Stated in U.S. Dollars)

From date of incorporation (November 6, 1969) to May 31, 1970

INCOME:		
Geology fees	$ 9,555.13	
Coring fees (A-1 Diamond Core Division)	11,149.55	
Oil income	4,781.52	$ 25,486.20
COSTS AND EXPENSES:		
Salaries and wages	$30,187.04	
Intangible drilling and development costs	10,584.09	
Depreciation	16,685.73	
Legal and audit	9,379.09	
Lease rentals	7,823.68	
General taxes	6,216.47	
Travel expense	5,592.15	
Insurance	4,777.98	
Outside services	3,543.30	
Telephone	2,496.85	
Payroll taxes	2,082.46	
Operating expenses	1,867.29	
Office supplies	1,639.57	
Rent and utilities	1,336.10	
Advertising	236.00	
Contributions	10.00	
Equipment rental	72.80	
Dues and subscriptions	875.67	
Organization costs—amortization	655.00	
Miscellaneous	295.93	106,357.20
Operating loss		$(80,871.00)
OTHER INCOME:		
Interest income	$11,313.76	
Miscellaneous	960.73	12,274.49
		$(68,596.51)
OTHER EXPENSE:		
Interest expense	$ 3,375.00	
Loss on sale of asset	2,077.66	5,452.66
Net loss without deduction for depletion		$(74,049.17)

Dated August 27, 1970.

Certificate of the Company

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, and under the Securities Act (Quebec).

(Signed) JOHN D. PARK	(Signed) W. J. CLARRY
Chief Executive Officer	*Chief Financial Officer*

On behalf of the Board of Directors, by

(Signed) D. C. CAMPBELL	(Signed) B. B. CORDEN
Director	*Director*

Directors

JOHN DAVID PARK	DONALD COLIN CAMPBELL	BRUCE BURT CORDEN
MELVIN JOSEPH GARDNER	PETER CONRAD GOLFFING	DONALD FYFE KING
BERNARD BRUCE LOCKWOOD	KENNETH GOW MURTON	BENITO NOYOLA

By his signature affixed below, the undersigned has signed this prospectus personally and, pursuant to powers of attorney duly executed, has signed this prospectus on behalf of all other directors of the Company listed above.

(Signed) B. B. LOCKWOOD

Promoter

(Signed) JOHN D. PARK

Certificate of Agent

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, and under the Securities Act (Quebec).

GRANT JOHNSTON LIMITED

by: (Signed) A. K. HARVIE

The following are the names of all persons having an interest, directly or indirectly, to the value of not less than 5% in the capital of Grant Johnston Limited: Paul McDonald, Paul E. Michelin, Pierre E. Dubuc, John Sauve and Donald F. King.